CLERK'S COPY.

Vol. II

TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1938

No. 312

JOHN M. TAYLOR, OSCAR A. KENNEDY AND H. RUSSELL HASTINGS, AS THE INDEPENDENT COMMITTEE FOR THE PROTECTION OF THE HOLDERS OF PREFERRED STOCK OF DEEP ROCK OIL CORPORATION, PETITIONERS,

vs.

STANDARD GAS AND ELECTRIC COMPANY ET AL.

ON WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE TENTH CIRCUIT

PETITION FOR CERTIORARI FILED AUGUST 30, 1938.

CERTIORARI GRANTED OCTOBER 10, 1938.

Volume II.

United States Circuit Court of Appeals

TENTH CIRCUIT.

No. 1545

JOHN M. TAYLOR, OSCAR A. KENNEDY, H. RUSSEL HASTINGS, as the Independent Committee for the Protection of the Holders of Preferred Stock of Deep Rock Oil Corporation, Interveners, APPELLANTS,

vs.

STANDARD GAS AND ELECTRIC COMPANY; REORGANIZATION COMMITTEE OF DEEP ROCK OIL CORPORATION; H. N. GREIS, Trustee of Deep Rock Oil Corporation, and DEEP ROCK OIL CORPORATION, APPELLEES.

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES FOR THE NORTHERN DISTRICT OF OKLAHOMA.

FILED FEBRUARY 26, 1937.

INDEX.

Narrative Statement of the Evidence, Filed June 29, 1937.

	Original	Print
Depositions taken before Special Master.		
Claimant's evidence:		
John J. O'Brien	1a	1
J. J. O'Brien (Recalled)	217	166
Bern rd L. Majewski	24	19
R. J. Graf	31	25
R. J. Graf (Recalled)	217	166
Henry C. Cummins	38	31
William R. Francisco	43	36

	Original	Print
Amasa C. Bull	69	55
M. A. Morrison	71	57
G. T. Cross	74	59
Charles E. McCune	77	61
B. W. Lynch	78	62
B. W. Lynch (Recalled)	126	97
B. W. Lynch (Cross-Examination)	209	160
B. W. Lynch (Recalled)	222	170
George W. Knourek	95	75
George W. Knourek (Recalled)	127	98
George W. Knourek (Recalled)	179	136
George W. Knourek (Recalled)	198	151
George W. Knourek (Recalled)	223	171
B. F. Braheney	131	100
B. F. Braheney (Recalled)	218	167
O. O. Kerr	133	102
O. O. Kerr (Recalled)	145	111
O. O. Kerr (Recalled)	305	233
W. E. Moody	140	107
Receivers' evidence:		
M. A. Morrison	127	99
Paul A. Lehmkuhl	1	144
William George Pohl	190	145
Herbert List	194	148
E. J. McKay (By reference only)	197	151
J. J. Madden (By reference only)	197	151
Trustee's evidence:		
George W. Knourek:		
Exhibits:		
A—Copies of checks and credit notices (See Vol. III, 25, 26)	151	114
B—Copies of promissory notes, Shaffer to Standard (By reference)	156	118
C—Analysis of operation charges (See Vol. III, 27)	155	118
X—Analysis of cash advances for sundry expenditures (See Vol. III, 52)	155	118
Y—Analysis of Standard's open account (See Vol. III, 98)	170	129
W. R. Francisco:		
Exhibits:		
1—Contract between Deep Rock and H. M. Byllesby & Company	229	173
2—Letter J. J. Madden to W. R. Francisco, Treasurer	230	175
3—Copies of checks of Deep Rock to H. M. Byllesby & Company (See Vol. III, 1)	236	179
4—Accounts payable advices to Deep Rock (See Vol. III, 6)	237	179
5—Copy of Deep Rock note to Standard for $400,000.00 (By reference)	238	180
6—Copy of Deep Rock note to Standard for $350,000.00 (By reference)	238	180

	Original	Print
7—Copy of agreement between Deep Rock and H. M. Byllesby & Company et al. re $7,500,000.00 gold notes (By reference)	239	181
8—Prospectus on $7,500,000.00 gold notes (See Exhibit 6 to Stipulation re Standard's claim)	239	181
9—Copy of Deep Rock note to Standard for $4,250,000.00 (By reference)	240	181
11—Copies of checks of Deep Rock to Standard (See Vol. III, 17)	242	184
12—Memoranda re issuance of above checks (See Vol. III, 19)	243	184
16—Statement of net earnings by years of Bradstreet properties (See Vol. III, 23)	247	188
17—Statement of net earnings by years of cracking plant (See Vol. III, 24)	247	188
O. O. Kerr:		
Exhibits:		
1—Copies of bills of Standard to Refining Company (See Vol. III, 64)	256	195
2—Copies of bills of Engineering & Management Corporation to Deep Rock (See Vol. III, 83)	257	196
3—Copy of checks of Deep Rock to Standard for $300,000.00 (By reference only)	258	197
4—Copy of two checks of Deep Rock to Standard on open account in 1932 (By reference only)	258	197
5—Copy of two checks of Deep Rock to Standard on open account in 1933	259	197
7—Renewal of $400,000.00 note of Deep Rock, Oct. 1, 1925 (By reference only)	264	201
7-A—Statement of retirement and depletion charges of Deep Rock (See Vol. III, 88)	266	203
8—Renewal of $350,000.00 note of Deep Rock, Dec. 1, 1924 (By reference only)	264	202
8-A—(By reference only)	267	205
9—Comparative statement of claims for deductions in income tax returns of Deep Rock (By reference only)	267	205
10—Comparative statement of Deep Rock income tax returns (See Vol. III, 90)	268	205
X—Analysis of Deep Rock surplus account (See Vol. III, 94)		129
Y—Statement re Deep Rock surplus (See Vol. III, 98)	268	205
W. E. Moody (Recalled)	284	218
L. B. Riddle	291	223
L. B. Riddle (Recalled)	312	239
Stipulation of Feb. 13, 1935, re claim of Standard Gas & Electric Company	317	242
Exhibits:		
1—Prospectus on $10,000,000.00 Gold Notes	335	254
2—Agreement between Shaffer Oil & Refining Company and R. J. Graf, Trustee	342	262

	Original	Print
3—Petition in intervention of Standard Gas & Electric Company	347	266
4—Answer and counterclaim of receivers to petition in intervention	360	276
Exhibit C—Application for instructions	379	290
Exhibit D—Order	380	291
5—Answer and reply of Standard Gas & Electric Company to answer and counterclaim of receivers	381	292
6—Prospectus on $7,500,000.00 Gold Notes	387	297
7—Memo of Deep Rock indebtedness	389	302
8—List of Deep Rock directors at meetings	390	303
9—Copy of telegram from B. F. Braheney to W. R. Francisco	394	308
10—Copy of letter from Standard Gas & Electric Company to Deep Rock Oil Corporation	395	308
11—Copy of letter from Standard Gas & Electric Company to First Union Trust & Savings Bank	396	309
11-A—Copy of letter to holders of Gold Notes	398	312
12—List of officers and directors of Engineering & Management Corporation	399	312
13—List of directors of Byllesby & Company	406	322
14—List of directors and officers of Standard Gas & Electric Company	408	324
15—List of directors of Deep Rock Oil Corporation	416	331
16—List of officers of Deep Rock Oil Corporation	426	338
17—List of members of Executive Committee of Deep Rock Oil Corporation	440	356
18—Statement of dividends paid by Engineering & Management Corporation	444	359
19—List of Deep Rock subsidiaries	445	360
20—List of directors of Deep Rock Oil & Refining Company	446	360
21—Minutes of first meeting of Deep Rock Oil & Refining Company	448	362
22—Minutes of second meeting	454	367
23—Minutes of third meeting	456	368
24—Minutes of fourth meeting	458	369
25—Minutes of fifth meeting	459	370
26—Minutes of sixth meeting	461	372
27—Minutes of seventh meeting	462	373
28—Copy of Deep Rock Oil & Refining Company's stock transfer book	463	374
Hearing before Special Master on Trustees' petition submitting Standard Gas & Electric Company's first offer of compromise of claim, March 25, 1935	466	376
Preferred Stockholders' evidence:		
George S. Ramsey	466	376
John J. Shinners	492	395
Hearing before Judge Kennamer on first compromise proposal on claim Standard Gas & Electric Company and on Master's report, June 3, 1935	500	400

	Original	Print
Hearing before Judge Kennamer on objections of preferred stockholders to proposed compromise of Standard's claim, September 23, 1935	501	400
Hearing before Judge Kennamer December 12, 1936	517	411
Reorganization Committee evidence:		
John J. Shinners	517	411
August J. Hurt	589	470
Oswald D. Settle	589	471
Oscar J. Berend	590	472
Interveners' evidence:		
John J. Shinners (Recalled. On cross-examination)	637	508
John J. Shinners (Recalled)	679	537
Henry N. Greis	645	514
W. R. Francisco	670	531
George E. Dell	686	542
C. J. Smith	696	551
Argument to the court	705	558
Hearing before Judge Kennamer, Dec. 22, 1936	723	572
Hearing before Judge Kennamer, Feb. 3, 1937	730	577
John J. Shinner	732	580
Henry N. Greis	741	586

SUMMARY OF EXHIBITS.

(See also Volume III Exhibits)

Trustee's Exhibits:		
B—List common stockholders (By reference)	750	592
1-B—Certificate of incorporation of Byllesby Engineering and Management Company (By reference)	750	592
D—Annual report Standard Gas & Electric Company, 1923 (By reference)	751	592
E—Same, 1924 (By reference)	751	593
F—Same, 1925 (By reference)	752	594
G—Same, 1926 (By reference)	753	595
H—Same, 1927 (By reference)	756	597
I—Same, 1928 (By reference)	758	599
J—Same, 1929 (By reference)	759	600
K—Same, 1930 (By reference)	762	602
L—Same, 1931 (By reference)	764	604
M—Same, 1932 (By reference)	765	605
Eye—Letter B. F. Braheney to O. O. Kerr	767	606
N—Trust Indenture (By reference)	769	608
T—Memo. of directors' meetings, re dividends	770	608
X—Volume containing minutes of meetings of Board of Directors of Deep Rock Oil Corporation (By reference)	774	612
Shaffer Oil & Refining Company, July 11, 1919	775	613
Same, April 28, 1926	780	619
Same, Dec. 15, 1926	782	620
Same, April 11, 1928	784	623

	Original	Print
Same, March 9, 1928	786	625
Same, Feb. 24, 1930	787	627
Deep Rock Oil Corporation, April 27, 1932	788	627
XX—Letter of B. F. Braheney, General Auditor, to W. R. Francisco, Treasurer, inclosing lease, Receiver's Exhibit Jay 65		52
Y—1930 lease between Deep Rock and the Refining Company (By reference)	790	629
Z—Copy original articles of incorporation of Shaffer Oil & Refining Company (By reference)	791	629
Z-1—Copy first amended articles of incorporation of Shaffer Oil & Refining Company (By reference)	793	630
Z-2—Copy of amendment of articles of incorporation of Shaffer Oil & Refining Company (By reference)	793	630
Z-3—Copy of third amendment to articles of incorporation of Shaffer Oil & Refining Company (By reference)	794	631
Z-4—Copy of amendment to articles of incorporation of Shaffer Oil & Refining Company changing name to Deep Rock Oil Corporation (By reference)	795	631
Receiver's Exhibits:		
H—Sale and purchase agreement between Bradstreet Oil Company and J. C. Kennedy, Trustee (By reference)	796	632
Jay—Lease agreement between Deep Rock Oil & Refining Company and Shaffer Oil & Refining Company (By reference)	797	632
M—Bill, Aug. 22, 1922, to Shaffer Oil & Refining Company by H. M. Byllesby & Co.	127	98
Claimant's Exhibits:		
1—Letter J. J. O'Brien to C. B. Shaffer, Agreement	798	632
2—Letter H. M. Byllesby et al. to C. B. Shaffer	800	635
Exhibit A—Agreement	801	635
3—Letter H. M. Byllesby & Company to C. B. Shaffer re agreement	808	641
4—Agreement between Universal Oil Products Company and Standard Gas & Electric Company	810	643
5—Agreement between Universal Oil Products Company and R. J. Graf, Trustee (By reference)	815	646
6—Letter from Universal Oil Products Company to R. J. Graf, Trustee (By reference)	815	646
7—Agreement by Universal Oil Products Company supplemental to license contract (By reference)	815	646
8—Letter John L. Gray re survey of the Shaffer (See direct examination R. J. Graf)	33	26
9—Excerpt from minutes directors' meeting of Standard Gas & Electric Company	816	647
10—Minutes directors' meeting (same as part of Trustee's Exhibit X) (By reference)	816	648
11—Byllesby Engineering and Management Corporation Functional Chart of Services (By reference)	817	651
12—Statement of appraised value of Deep Rock properties (By reference)	133	102

	Original	Print
13—Income statement Deep Rock Oil Corporation and subsidiary companies	816-A	649
14—Same	816-B	650
15—Balance sheet of Shaffer Oil & Refining Company (See Trustee's Exhibit G)	817	651
16—Balance sheet (See Trustee's Exhibit G)	817	651
17—Balance sheet (See Trustee's Exhibit I)	817	651
18—Balance sheet (See Trustee's Exhibit I)	817	651
19—Balance sheet for Jan. 31, 1930 (By reference)	817	651
20—Balance sheet for Feb. 28, 1930 (By reference)	817	651
21—Statement of earnings Bradstreet and Pressure Stills Department (By reference)	817	651
22—Letter re bank deposits, to W. R. Francisco, Treasurer Shaffer Oil & Refining Company, Jan. 10, 1925	819	652
23—Same, to Wm. G. Pohl, Assistant Secretary H. M. Byllesby & Company, Jan. 8, 1925	819	652
24—Same, to W. R. Francisco, Treasurer, Feb. 14, 1925	820	653
25—Same, to John L. Gray, Feb. 7, 1925	821	653
26—Same, to W. R. Francisco, Treasurer, March 10, 1925	821	654
27—Same, to Wm. G. Pohl, Asst. Secy., March 4, 1925	822	654
28—Same, to W. R. Francisco, Treasurer, March 25, 1925	822	655
29—Same, to W. R. Francisco, Secretary, March 20, 1925	823	655
30—Same, to R. J. Graf, Vice President, H. M. Byllesby & Company, March 17, 1925, and telegram to W. R. Francisco, Treasurer, April 25, 1925	823	656
31—Same, to Wm. G. Pohl, April 22, 1925	824	657
32—Same, to Wm. G. Pohl, Jan. 10, 1927	825	657
33—Same, to W. R. Francisco, Treasurer, Jan. 17, 1927	825	658
34—Same, to Wm. G. Pohl, Asst. Secy., Jan. 13, 1927	826	658
35—Same, to W. R. Francisco, Treasurer, Feb. 19, 1927	826	659
36—Same, to R. J. Graf, Vice President, Feb. 17, 1927	827	659
37—Same, (2nd page of last above letter)	827	660
38—Same, to W. R. Francisco, Treasurer, May 16, 1927	828	660
39—Same, to R. J. Graf, Vice President, May 12, 1927	828	661
40—Same, to W. R. Francisco, Treasurer, June 20, 1927	829	662
41—Same, to Wm. G. Pohl, Asst. Secy., June 18, 1927	830	662
42—Same, to W. R. Francisco, Treasurer, July 12, 1927	831	663
43—Same, to Wm. G. Pohl, Asst. Secy., July 6, 1927	831	663
44—Same, to W. R. Francisco, Treasurer, Oct. 3, 1927	832	664
45—Same, to R. J. Graf, Vice President, Sept. 27, 1927	832	664
46—Same, to W. R. Francisco, Treasurer, Oct. 31, 1927	833	665
47—Same, to R. J. Graf, Vice President, Oct. 28, 1927	833	665
48—Same, to Wm. G. Pohl, Dec. 1, 1927	835	667
49—Same, to W. R. Francisco, Treasurer, April 20, 1929	835	667
50—Same, to Wm. G. Pohl, Asst. Secy., April 18, 1929	836	668
51—Same, to W. R. Francisco, Treasurer, April 12, 1929	837	668
52—Same, to Wm. G. Pohl, Asst. Secy., April 8, 1929	837	669
53—Same, to W. R. Francisco, Treasurer, March 12, 1929	838	669
54—Same, to W. R. Francisco, Treasurer, March 7, 1929	838	670
55—Same, to Wm. G. Pohl, Asst. Secy., March 4, 1929	839	670

	Original	Print
56—Same, to Wm. G. Pohl, Asst. Secy., Feb. 19, 1929	840	671
57—Same, to W. R. Francisco, Treasurer, Jan. 19, 1929	840	671
58—Same, to Wm. G. Pohl, Asst. Secy., Jan. 17, 1929	841	672
59—Same, to W. R. Francisco, Treasurer, Aug. 21, 1930	841	672
60—Same, to Wm. G. Pohl, Asst. Secy., Aug. 19, 1930, and telegram to W. R. Francisco, Treasurer, Jan. 20, 1930	842	673
61—Same, to Wm. G. Pohl, Asst. Secy., Jan. 14, 1930, and telegram to W. R. Francisco, Treasurer, Aug. 25, 1930	843	673
62—Same, to Wm. G. Pohl, Asst. Secy., Aug. 24, 1931	844	674
63—Same, to J. J. Madden, Secretary and Treasurer Standard Gas & Electric Company, Feb. 24, 1931	844	675
64—Same, to Wm. G. Pohl, Asst. Secy., Jan. 3, 1931	845	675
65—Statement of price received by Deep Rock Oil Corporation for crude oil (By reference)	845	676
66—Study of situation by L. B. Riddle	846	676
Intervener's Exhibits:		
1—Transcript of testimony at the hearing before Judge Kennamer Sept. 23, 1935 (By reference only)	556	444
2—Monthly statement Deep Rock Oil Corporation and subsidiaries, Dec. 31, 1930 (By reference only)	570	455
3—News item re earnings Deep Rock Oil Corporation for year 1930 (By reference only)	570	455
4—Letter, H. M. Byllesby & Company to Gold Noteholders, Aug. 25, 1934	852	681
5—Letter Reorganization Committee to Preferred Stockholders, Nov. 20, 1936	853	682
6—Letter Reorganization Committee to Gold Noteholders et al., Nov. 30, 1936	856	685
7—Estimate of values of plants and properties of Deep Rock Oil Corporation and subsidiaries, Sept. 1, 1936 (See Vol. III, 130)	..	508
8—Letter Deep Rock Oil Corporation to stockholders, Jan. 25, 1931	858	686
9—Letter of E. M. Newlin to William H. Taylor re sale Deep Rock stock	638	508
9-A—Letter of William H. Taylor to E. M. Newlin	638	509
10—Letter to Deep Rock Oil Corporation stockholders (By reference only)	638	508
11—Letter of John J. Shinners to John Taylor	642	511
12—Petition in case No. 55845, District Court of Tulsa County, Oklahoma, John L. Gray et al. vs. Deep Rock Oil Corporation et al	859	687
Exhibits A and B, leases (By reference only)	872	698
13—Letter of E. M. Newlin to John M. Taylor	638	509
13-A—Telegram of E. M. Newlin to A. S. Cummins	639	509
13-B—Telegram of A. S. Cummins to E. M. Newlin	639	509
13-C—Letter of John M. Taylor to E. M. Newlin	639	510
14—Trustee's report of earnings and condition as of Oct. 31, 1936 (By reference only)	699	553
15—Trustee's report of condition as of Dec. 31, 1935 (By reference only)	699	554

	Original	Print
16—Minutes of special meeting of Board of Directors of Deep Rock Oil Corporation, Sept. 29, 1936	873	698
17—Consolidated balance sheet of Deep Rock as of Dec. 31, 1933 (By reference only)	685	542
18—Analysis of open account of Standard with Deep Rock (By reference only)	687	543
19—Statement of Trustee and letter to Noteholders and Preferred Stockholders of Deep Rock Oil Corporation	874	698
I—Report of Utility and Industrial Corporation for year 1936 (By reference only)	884	715
Reorganization Committee's Exhibits:		
1—Amended Plan of Reorganization	885	717
2—Original Plan of Reorganization	886	819
3—Letter Reorganization Committee to Creditors (By reference only)	943	865
4—Affidavit of August J. Hurt re securities on deposit with The First National Bank of Chicago on Dec. 5, 1936, under Deposit Agreement, and form of letter of transmittal	944	865
5—Affidavit of August J. Hurt re securities on deposit with The First National Bank of Chicago on December 10, 1936, under Deposit Agreement	948	869
6—Affidavit of O. D. Settle re securities on deposit with Chase National Bank of City of New York, on Dec. 5, 1936, under Deposit Agreement	949	870
7—Statement of preferred stock represented by Reorganization Committee	951	872
8—Telegram W. G. Pohl, Secretary, to clerk U. S. District Court concerning ownership of Deep Rock Oil Corporation Gold Notes and Preferred Stock	952	872
9—Telegram re same from Standard Gas & Electric Co.	953	873
10—Telegram to James F. Oates from Chase National Bank re deposits Feb. 2, 1937, of notes and preferred stock	954	873
11—Telegram to James F. Oates, Jr., from First National Bank re deposits on Feb. 2, 1937, of notes and preferred stock	954	874
12—Report of Reorganization Committee to holders of Gold Notes and Preferred Stock re Amended Plan of Reorganization	955	874
Appendix I—Copy of modifications of Amended Plan of Reorganization (By reference only)	957	876
Appendix II—Notice to creditors and stockholders	958	876
Agreement of counsel to presentation of statement of evidence	961	878
Order settling statement of evidence	961	879

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF OKLAHOMA.

PLEAS AND PROCEEDINGS BEFORE THE HONORABLE F. E. KENNAMER, JUDGE OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF OKLAHOMA, PRESIDING IN THE FOLLOWING-ENTITLED PROCEEDING:

In the Matter of DEEP ROCK OIL CORPORATION, a corporation, DEBTOR.

No. 2318 Consolidated.

NARRATIVE STATEMENT OF EVIDENCE.

Filed June 29, 1937.

(Note: Throughout the narrative statement of the testimony and exhibits, Deep Rock Oil Corporation may be referred to as "Deep Rock," Deep Rock Oil and Refining Company as "Refining Company," Byllesby Engineering and Management Corporation as "Management Corporation," Shaffer Oil and Refining Company as "Shaffer," and Standard Gas and Electric Company as "Standard.")

Hearing on May 28, 1934, Before Special Master.

The Depositions of sundry witnesses, taken on behalf of the Claimant, before Hon. Preston C. West, Special Master, beginning at 10 o'clock A. M. on Monday, May 28, 1934, Suite 1213, 231 South LaSalle Street, Chicago, Illinois. Mr. R. M. Campbell and Mr. N. A. Gibson appeared on behalf of the Claimant; Mr. George S. Ramsey and Mr. Villard Martin appeared on behalf of the Receivers.

John J. O'Brien was called as a witness on behalf of the claimant and on Direct Examination by Mr. Gibson, testified:

My name is John J. O'Brien. I live in Chicago, Illinois. My present occupation is President of H. M. Byllesby & Company, Standard and several other concerns. I have been President of Standard since June, 1924. Col. H. M. Byllesby preceded me in the presidency. He died in May, 1924. The

company has had two presidents in its history. In the early days of its life, I was treasurer and general auditor of H. M. Byllesby & Company. That company was organized, approximately about 1904. Mr. H. M. Byllesby was the founder of that company and occupied the office of president until the time of his death. In the start H. M. Byllesby & Company was an engineering and financing concern both. From 1919 on it was simply an investment banking house. The Standard was first engaged in the public utility business. Up to 1919, Standard was largely an investment company. It invested in common stocks ordinarily, and sometimes in preferred stocks and bonds of utility companies. From 1919 on it was in the management business as well as the ownership of these various stocks and bonds.

The relationship between H. M. Byllesby & Company and the Standard as to ownership was as follows. For a long time, I cannot give the exact date, H. M. Byllesby & Company had stock in the Standard, it was in a sense in control. Then at a certain period we went to the stockholders of the Standard and told them that the company was growing so fast, and this was done very openly and above board, that there was danger of the company passing from the hands or control of H. M. Byllesby & Company, and we asked the stockholders to authorize us to buy one million shares of one dollar par value each so that we might retain control of the company. The stockholders evidently believed it was to their interest to do it, because this was done, all above board, nothing secret about it, showing their faith in us. We told them in this letter we sent them that they had a right to subscribe for this stock. It was a stock that was limited to a six per cent dividend. Out of the one million shares offered to the stockholders of Standard only a trifle, or three thousand shares was subscribed for by stockholders, and the other stockholders allowed us to purchase that stock, which gave us control. That stock was purchased by H. M. Byllesby & Company was retained by that company until June 7, 1930, when we got control, or part control in another way. H. M. Byllesby & Company at this time owns a joint control of Standard with eastern people. The eastern people are the United States Electric Power Company. The United States Electric Power Company owns a large majority of the Class A stock of the Standard Power & Light Company, and the Standard Power & Light Company in turn owns the control of the Standard in its treasury. H.

M. Byllesby & Company own the majority of the Class B stock of the Standard Power & Light Company. That Class B stock gives H. M. Byllesby & Company the right to elect eight of the fifteen directors of the Standard, gives it virtual control. There are a good many checks in the dealings with our minority directors, they have a right to certain things, the expenditure of certain amounts of money, purchase of property, sale of property and other things of that sort, that we must have a three-fourths vote of the entire directorate, so that there are checks and balances in this thing, although it is a joint control.

The approximate time of the organization of Byllesby Engineering & Management Company was in the year 1919. The Standard was struggling along and was not in very good shape. H. M. Byllesby & Company at that time owned the engineering business. Col. Byllesby started in life as an engineer, one of Edison's associates. We were doing the engineering and management of these properties, that is, H. M. Byllesby & Company, and in order to help Standard out at that time we turned over the entire engineering and management which we owned, without one dollar of payment. That was given to Standard gratis in order to help it out and give it an earning statement that it could go on with its business. It was organized with 100,000 shares of stock of no par value, every share of which is owned by the Standard, which ownership continues at this time. Byllesby Engineering & Management Company maintained a force that occupies the entire floor just below us here, and also has offices over in the Ashland Block, our entire Engineering Department has, because we did not have space for them in this building. At the height of its activities, previous to 1930, a very large number of highly trained technical men in every department, were in its Chicago office, including trained engineers, men who would come up from the management of properties and who knew what to do and how to do it, and how to advise; the ablest men we could get, in the insurance line, publicity men of the highest class, and rate experts of large experience. They were experts in their line in every department we had to deal with. We also maintained a purchasing department for all the companies with which we were connected. The advantage to the companies was very great by purchasing in mass and thereby procuring larger discounts. A quantity discount and a discount in addition to the ordinary discount was available.

Purchases for all of the companies with which we were connected were made under the quantity discount rate.

I recall a transaction with C. B. Shaffer out of which the present company known as Deep Rock Oil Corporation grew. I do know that the utility business was suffering greatly at that time by the greatly increased cost brought about by the war. Earnings of the Standard had shrunk very considerably, and we were looking for something that might improve that condition. I don't remember just exactly how the Shaffer property happened to be offered to us, but I do remember it came into the office, and at that time Col. Byllesby was in London, he was representing the American Expeditionary Forces, getting all the supplies in Denmark, Norway and Sweden. I wrote him, kept him in touch with these conditions, told him about this proposition, about the Shaffer property. The war was over at that time, and he got leave of absence to come home. After he got home we started active negotiations with Shaffer. We knew nothing about the oil business at that time. We were suffering greatly by the high cost brought about by that war and were looking around for something to help us out. So we got into the oil business that way. In 1919 the negotiations started. I would say they started in 1918, just after the Armistice. Mr. Shaffer's oil property was located partly in Oklahoma, and a part of it in Kansas. He had property in Arkansas, not covered by our purchase, which we leased from him later. In the beginning it was operated in the name of the Shaffer Oil and Refining Company. Mr. Shaffer was a part of the organization at that time, he stayed with us as the first president of the company. Mr. Shaffer's connection with the Shaffer continued for two or two and a half years something like that. Then his interest terminated entirely. That company is now known, by a subsequent change of name, as Deep Rock Oil Corporation. I was president of the Shaffer or the Deep Rock for a time. I cannot say when I became president. I would have to look it up. Shortly after I became President, we employed Mr. John L. Gray. We first hired Mr. Gray to go down and make a report on the property and tell us what we should do. He made a very good report, and we employed him along in July of 1924. He was the John L. Gray who brought these proceedings. I know L. B. Riddle, sometimes known as Barney Riddle. He became connected with the organization some time later. My

understanding is he was with the Pure Oil Company, and was employed on the recommendation of Mr. Gray.

The offices of the Shaffer Oil & Refining Company were maintained in Chicago previous to the employment of Mr. John L. Gray. On his recommendation they were changed to Tulsa. During the time that the offices were maintained here, and during my presidency, I was called into conferences very frequently with the parties in active charge of the Shaffer Oil & Refining Company in regard to its actions or its policies. This was more true even after the removal of the offices to Tulsa. I think more so than ever. In addition to that, Mr. Gray, Mr. Moody, Mr. Francisco, Mr. Riddle, Mr. Huey, and Mr. Dade would come to Chicago very frequently and put their matters before us. During my time as president of the Shaffer Oil & Refining Company, I never received any salary of any kind, or any compensation of any kind. The Byllesby Engineering & Management Company paid my salary which I received as president at that time. I cannot say whether that company paid the salaries of other officers of the Shaffer Oil & Refining Company. I am not sufficiently expert to state what kind of plant the refinery was that we bought from Shaffer. Very large sums of money have been spent on it at the recommendation of Mr. Gray. I knew Mr. Majewski at the time of the organization of the Company. I became acquainted immediately after we bought the property. He was connected with Mr. Shaffer in connection with the distribution department, and his employment has been continuous since that time in the distribution of refined products. He makes his office in Chicago. The property purchased from Shaffer in a general way consisted of a refinery, for one thing, located at Cushing.

Q. How long did Mr. Gray remain in control of the operation of the company? A. After his employment, from 1924, until February, 1933.

Q. That would be continuously then until the termination of the company's business by this receivership? A. Exactly.

Q. And in what position did he function during the whole years of the operation of the company? A. As president of the company.

I first became acquainted with Mr. Francisco a long time back. He was with us in our organization before we bought the Shaffer. I do not remember the exact date. He left our

organization here to become actively connected with the Shaffer and has remained so ever since. I don't know Mr. Kerr, who is at present connected with the accounting department, very well.

Q. Has he ever been in your employ? A. There are others you will have to get to testify on that.

During all of the time from the purchase of this property up until the appointment of the Receiver in 1933 there were interviews and conferences held with me and the other officers of the Standard Company in Chicago, and the Byllesby Engineering & Management Company, by Mr. Gray, Mr. Riddle, Mr. Majewski and the other men who were active in the management of the Shaffer Oil & Refining Company. The men, that includes Mr. Gray leading them, Mr. Riddle, Mr. Majewski, Mr. Moody, Mr. Francisco, and sometimes Mr. Dade and Mr. Huey, would come to Chicago with their plans, which involved large expenditures of money usually. I will say now that no expenditures were made that were not recommended by them. And further I want to say that no important moneys were spent or items approved without the approval of this Chicago office, and that means myself and Mr. Graf principally, as we were the two men that sat in with them on all these recommendations which they would make. Very frequently, in addition to the time Mr. Graf and I spent with them, we could not approve what they asked, and possibly days would be spent by the rest of our organization going over the proposition to see whether or not we would approve it, like Mr. Lynch, Mr. Morrison, Mr. Briggs, Mr. Braheney, Mr. Cummins, a whole horde of men called into consult on this matter, a lot of time was spent with the matters pertaining to the Shaffer by members of the staff in the Chicago office. The questions which Mr. Majewski brought before us for determination were questions such as, for instance, whether he should buy additional stations for distribution, and buy additional property or lease property. Further than that, we were in a continuous turmoil here, I do not mean our company particularly because we played along with them pretty well. The Standard Oil of Indiana was the company that controlled prices throughout this territory, and Mr. Majewski was continually coming to me or someone in the office, consulting us whether or not he should fight them, play along with them, or what he should do with them. And that applies to other concerns as well that were in the oil business. And while he was

in our office he would come over very frequently to consult on those matters. For all of that service so rendered no charge was made other than the management charge, which is included in the account.

Financing of the Shaffer was necessary from the date of its purchase up to the time its operations terminated. It was almost a continuous process, as a matter of fact, furnishing money for it. A large part of this service was rendered by Standard, and some of it by H. M. Byllesby & Company. Money was actually advanced to the company by Standard in tremendous sums, in very large amounts. About the same time as the purchase of this Bradstreet property, extensions or enlargement of the refining facilities of the Shaffer were made. The additions, called the Dubbs Process, were made in the cracking plant at Cushing, on the recommendation made by Mr. Gray that it would pay for itself in a year or two.

Among the services rendered by Byllesby Engineering and Management Company we maintained a technical library, with a staff to give information at all times of all of our properties, whether oil or public utility. We also maintained a large engineering force, a finance force, and an operating force. I cannot say that any engineer was especially assigned to the Shaffer operations. I know that certain of our engineers went down and spent a great deal of time there. There was no limit placed on the right of the Shaffer executives or operatives to call on this force. They had access to any and all of our experts at any and all times. I don't know of my own personal knowledge how the amount of charges that were made for these managerial fees by the Byllesby Engineering & Management Company were arrived at, but I think they were not adequate for the amount of work we did. That is my opinion. I do not know who would have the information in regard to how they were arrived at. I do not know as I do. You can find out from other witnesses if they know. But a charge was made which my experience leads me to believe was inadequate.

John J. O'Brien, on cross-examination by Mr. Ramsey, testified:

The principal business of Standard from the date of its organization down to 1919, was investment business and public utilities. It usually bought the stocks and bonds and preferred stock issues, and sometimes notes of the public utilities

and not the physical properties. Standard has never operated any public utilities as the direct owner thereof since I became president. I don't think we own any physical properties at this time. In 1919 the Standard changed its business. It then entered into the management and engineering of these public utility properties which we owned by stock ownership. The Standard charged management fees against its subsidiary public utility companies. No other corporation or individual other than Standard, has any interest in the Management Company. The officers of the Management Company since the date of its organization have been practically the same officers as the Standard. Much the same, not altogether. Col. Byllesby was president of the Management Company from 1919 to 1924, and also president of the Standard from the date of its organization to the date of his death in 1924. I succeeded him as president of both of those corporations. Other executive officers of the Management Company and I received salary paid by the Management Company. My salary started at $50,000.00 a year, got as high as $75,000.00, then it was reduced to $60,000.00 odd which it is today. The president and executive officers of the Standard were paid by the Management Company. The Standard paid no salary to its executive officers. None of the vice-presidents or any of the other executive officers received any salaries paid by Standard. H. M. Byllesby & Company was organized in 1903 or 1904 and Col. H. M. Byllesby was president of that corporation. He received salary from that corporation even after the organization of the Management Corporation. I am now president of the H. M. Byllesby & Company, succeeding Col. H. M. Byllesby. H. M. Byllesby & Company continued to pay those salaries even after the organization of the Management Corporation. Other than the library, the Management Company owned only the necessary tools of the engineering department, such as; the kind of tools draftsmen used; tables, a very large number of desks, things of that sort; maps; drawing instruments, blueprints and all that sort of thing. I will say we have in that engineering department the highest class of hydraulic, civil, and steam engineers of all types that it would be difficult to duplicate in this country. John L. Gray had a reputation as a technical refiner, and was represented to us to be a long experienced man in operating refineries and cracking plants. Standard paid Mr. John L. Gray compen-

sation for his investigation of the Shaffer properties and the report he made on them.

Q. How soon after that report before Mr. Gray was elected president of the Shaffer? A. He was elected vice-president about four or five months after he made the report.

Q. Then he was elected president sometime in the early part of 1925? A. I don't remember the date, I remember he was elected president.

Gray received as president of the Shaffer the salary of $36,000.00, and also had a profit share, he got a certain amount of the stock, in the event the profits were beyond a certain amount. As president of Standard I contracted with Gray as to the salary he was to receive as president. I am not sure whether he was paid by the Shaffer or Management Corporation. We approved the employment of Mr. Riddle sometime after John Gray took charge of the property. On Mr. Gray's recommendation I authorized his employment. Mr. Riddle was vice-president in charge of production. Shaffer Oil & Refining Company or Deep Rock Oil Corporation paid his salary. Mr. H. C. Cummins is now vice-president of the Standard Gas & Electric Company. Mr. Gray represented that Mr. Riddle was a very able purchasing oil engineer with the Pure Oil Company, and it was very desirable to acquire his services. George Moore came to us with Mr. Shaffer. He was with Mr. Shaffer at the time, and had charge of their refining and distribution.

Q. And served probably a year and a half or two years? A. I have forgotten the exact time.

I think it was after Mr. Moore left that Mr. Cummins was made vice-president and general manager of the Shaffer. He was associated with H. M. Byllesby for a number of years, being a director of the Standard Gas & Electric Company for fifteen or twenty years. Mr. Moore's and Mr. Cummins' salaries as presidents of the Shaffer Oil & Refining Company were paid by the Shaffer. Mr. Majewski who was vice-president in charge of distribution up to the receivership, resided here in Chicago while he was with Mr. Shaffer and has continued to reside here ever since. Mr. Majewski consulted with me frequently about the affairs of the company. He did not take any affirmative action in any matter of importance without first consulting with me. He never did anything for the company to which I objected. Generally speaking, the man-

agement fees of the Management Company were based on a percentage of the gross earnings of the operated property, subsidiary. In other words, the Engineering Company's fees were a percentage of the gross earnings of each of the subsidiary companies of the Standard. I cannot tell you offhand what official or employee of the Management Corporation went to Oklahoma and did any work with regard or with respect to the Shaffer Oil & Refining Company's properties. I remember a great many of our departments were continuously at work for them, the financial department, operating, auditing, engineering, insurance, publicity, and so forth. This contract between H. M. Byllesby & Company and C. B. Shaffer of May 30, 1919, was carried out as executed by the parties, but with subsequent modifications. That contract refers to all and singular the oil and gas leases on what is known as C. B. Shaffer Number 2, developed and undeveloped, in the State of Oklahoma, pipe lines, derricks, water lines, etc., 55,000 capacity storage tank and properties in Texas, and a refinery in the name of the Consumers Refining Company I think, and provides for the transfer to a new corporation actually formed under the name of Shaffer Oil & Refining Company, and also for the conveyance of the leases of the Theta Oil Company in Kansas, drilled and undrilled. I presume this company was owned by Mr. Shaffer, as we *pruchased* it from him. And also provides for the conveyance of all the physical and real property of Consumers Refining Company exclusive of its stock in Home Oil Company. I presume that stock was owned by Mr. Shaffer. The contract required the Shaffer, when organized to pay over seven million dollars in cash. I am sure that this was done. We also delivered to Mr. Shaffer a six per cent note of H. M. Byllesby & Company and Standard for one million dollars, due in four months, with interest at six per cent., which was subsequently paid, and he received 44,000 shares of preferred stock, seven per cent cumulative, of the par value of $100.00, and 80,000 shares of common stock, without par value, rated at $1.00 per share, and the new company paid $2,500,000.00 to purchase certain physical properties under the title "Consumers Refining Company." These modifications came after the Shaffer was organized. I am speaking of the return of the five million of preferred stock. We found when Mr. Shaffer came in, while we bought his property, he came in as partner with us, in a sense a partner, he was a large stockholder. We wanted him particularly be-

cause of his knowledge of the oil business. That is the reason of the high price, we had supposed he was very able, and because of his oil experience. We found at the end of two years time, maybe a little above that, the large sums of money we had raised for the Shaffer had been spent without any results. We felt then we had paid entirely too much money in the way of stock and cash, and Col. Byllesby wrote Mr. Shaffer a letter and demanded a reduction in the amount of stock that Mr. Shaffer had received. While I do not remember every last item of that, I know before we got through I was the person who contacted Mr. Shaffer, and he finally gave up in 1921 five million of the preferred stock, which was cancelled and not treated as treasury stock. That would be 50,000 shares. Originally, he only received 44,000 of the preferred stock. I cannot say how he acquired the other 6,000 shares. Under that contract the capital structure of the Shaffer was to be 500,000 shares common, par value one dollar, 50,000 shares preferred at $100.00 par value, and 15,000,000 of first mortgage bonds. I think H. M. Byllesby organized a syndicate which purchased practically all of the $15,000,000.00 of first mortgage bonds and sold them to the public. I do not know what discount those bonds were sold at or what commission H. M. Byllesby received on the sale of those bonds. The contract with Mr. Shaffer of May 20, 1919, calls for the payment of $7,000,000.00 cash to Mr. Shaffer, which was paid to him. I am pretty sure that the $7,000,000.00 paid Mr. Shaffer was a part of the proceeds of the sale of the $15,000,000.00 authorized bond issue of the Shaffer. I would want to verify that. The surrender by Mr. Shaffer of his preferred stock that he received under the contract of May 20, 1919, is the only modification made of that contract of May 20, 1919, I can remember. Receivers' Exhibit B shows the amount of common stock of the Shaffer owned from time to time by the Standard, and also the amount of the preferred stock of the Shaffer, subsequently changed to Deep Rock Oil Corporation, showing the amount of preferred stock owned by the Standard each year, and also the amount of outstanding common stock, and the names of the stockholders holding the common stock, and the amount of the preferred stock outstanding, owned by the public. The $10 000,000.00 six per cent gold note issue due March 1, 1933, was sold to the public. H. M. Byllesby and probably some partners, probably two or three partners, underwrote that issue.

Q. Do you know what those notes were sold for? A. I do not.

Q. Net to the Shaffer? A. No, I do not.

Q. What was done with the proceeds of the sale of those notes? A. My impression is it was used to refund the maturing bonds and for other corporate purposes. As a matter of fact, I think the circular tells all about it.

Receivers' Exhibit C, which appears in this record as Exhibit 1 of the February 13, 1935, stipulation, is the prospectus that was used in selling those notes. That is just the circular of H. M. Byllesby & Company. There may have been other circulars that showed other partners in the business. H. M. Byllesby & Company didn't get any more compensation for their share than the others got. This prospectus, Receivers' Exhibit C is dated March 1, 1928, and purports to contain a copy of a letter written by me under date of March 1, 1928, addressed to H. M. Byllesby & Company, Janney & Company, and Federal Securities Corporation. I wrote that letter.

Q. Now, on the face of this prospectus it is stated that the "Proceeds from the sale of this issue of $10,000,000.00 six per cent convertible gold notes, due March 1, 1933, and from the sale of common stock of the company, will be used to retire the company's present outstanding $1,843,700.00 first mortgage six per cent bonds due June 1, 1929, $7,500,000.00 two year six per cent gold notes due April 15, 1928, $4,250,000.00 six per cent gold notes due December 31, 1931, and to reimburse the company for expenditures for additions and extensions heretofore and now being made to its properties and for other corporate purposes." Who owned the $4,250,000.00 six per cent gold notes due December 31, 1931? A. Standard.

Standard owned those notes from the date of their issuance. The $7,500,000.00 two year six per cent gold notes due April 15, 1928, were all in the hands of the public. The $1,843,700.00 first mortgage bonds were also in the hands of the public. The $4,250,000.00 six per cent gold notes held by the Standard were paid by the Standard taking certain common stock of the company, for which was paid $11,400,000.00. It was not worth anything like that, never was. You might say that Standard purchased from the Shaffer 222,400 shares of common stock at $50.00 a share. It was just stock that we put an arbitrary value on to wipe out a debt, so that might be your deduction. The issue was coming due, and it was a very

great sacrifice on the part of the Standard to give it up at that time. The proceeds of the sale of $10,000,000.00 notes due March 1, 1933, were used to retire $7,500,000.00 two year notes due April 15, 1928, and also to pay the $1,843,750.00 first mortgage bonds.

The firm of Cummins, Roemer and Flynn were attorneys for the Shaffer from the time of its organization up to the time they went into the hands of the receiver as the Deep Rock Oil Corporation. That firm of lawyers were also attorneys for the Standard all that period of time and also attorneys for H. M. Byllesby & Company during that period of time as well as attorneys for the Management Corporation. The stock of the Standard has been listed on the New York Stock Exchange for ten or twelve years.

I know of the organization of the Deep Rock Oil & Refining Company. It was organized to take over what is known as the Bradstreet properties and also the Dubbs Process. The Dubbs Process or cracking plant was begun in the latter part of 1922, and the Refining Corporation was organized in the early part of 1923, but the property was operated in the name of Mr. Graf and Mr. Kennedy, as trustees, for approximately two years.

Standard acquired the ownership of all of the stock of the Refining Company for which it paid a little over two million four hundred thousand dollars. Mr. J. C. Kennedy took the title to the Bradstreet properties for which the Standard people paid a money consideration. I think at that time he was working for the Shaffer at Tulsa. Mr. R. J. Graf acted as trustee for the Dubbs Process cracking plant. He was first vice-president of Standard. The meetings of the directors of the Shaffer were held in Chicago, in my office, in the same office I occupy as president of the Standard. All of the meetings were so held in my office so far as I know. I do not know of any meetings being held at Tulsa, although there may have been. I approved of the lease in which Shaffer Oil & Refining Company leased the Bradstreet properties and Dubbs Cracking Plant from the Deep Rock Oil and Refining Company. Mr. Gray, Mr. Riddle and Mr. Majewski had my approval before the lease was made, and my approval of the renewal of the lease in 1930.

I don't know that the Shaffer paid the Federal income tax of the Refining Company. There are others that can answer

that question. I don't know if there was any meeting of the Board of Directors of the Shaffer at which it was agreed to pay the Management Company management fees. The secretary can answer that question, probably.

At this point may I correct a statement I made about the cracking plant? The cracking plant was first installed in 1922 or 1923. At that time Mr. Gray was not with us, as you know. Otto Osthoff, whose name was mentioned, at that time was chief engineer of the Management Corporation, and vice-president, and he did all the engineering on that original Dubbs Installation, which was constructed before the large plant installed after that under the supervision of Mr. Gray. I don't remember how many stills he installed. He worked several months on them. That was sometime in 1922 or 1923. Mr. Gray after his connection with the company supervised the construction of much larger stills. I don't think the Refining Company paid any management fees or engineering fees to the Management Company.

The Master: We will now take a recess until 2 o'clock. Whereupon an adjournment was taken until 2 o'clock P. M. of the same day, May 28, 1934.

(Witness): I would like to correct two statements I made. One was about Mr. Riddle being employed by Mr. Gray. I find that Mr. Riddle was employed by Mr. George Moore in 1922, which is two years before Mr. Gray came with us. Another statement I wish to correct is Mr. Gray was never president of either the Shaffer or the Deep Rock. He was executive vice-president and general manager. I remained as president from 1924 up to the receivership.

I have never been a civil engineer or utilities engineer. I came up from the financial side. I started in as treasurer and general auditor with the Standard and with Byllesby & Company. Up to 1919 I never had any experience in operating oil properties. I think I have had a lot of it since 1919 in the matters that have been brought before me. I never conducted the drilling of wells, or the exploration of oil lands for leases. I haven't had any experience along that line. I haven't had any experience in the acquisition of oil properties, that is, buying leases on non-production properties and producing leases. I have had a great deal of experience through others. Not directly myself, no, but through the recommendation of others, and hearing their reasons for wanting to purchase

leases, and so on. I have never had any experience in operating an oil refinery. The Management Corporation was organized to assist the utilities companies controlled by the Standard, or any other companies in which it might be interested.

Q. What officer or director of the Management Corporation had any experience in operating an oil refinery? A. Mr. H. C. Cummins.

Q. He is a member of the bar? A. No.

Q. Had he actually controlled or operated a refinery at any time? A. He did, as president.

Q. Of what refinery? A. The Cushing Refinery of the Shaffer.

Q. But before the Shaffer was organized, and these properties acquired, including the refinery, had Mr. Cummins had any experience? A. None that I know of.

Q. After the organization of the Shaffer, did Mr. Cummins go to Cushing and operate the refinery? A. No. He was down there very frequently, though.

Q. Did he have any technical education along the lines of operating a refinery? A. Not that I know of.

Q. Had he had any experience in operating oil leases, developing oil leases and lands for oil purposes? A. Not until he became connected with Shaffer.

Q. Had he had any experience in operating refineries prior to that time? A. No.

Q. And no experience prior to that time in the operation and development of oil properties? A. No.

Q. All the experience he has had on that has been since his connection with the Shaffer? A. Yes.

Q. All he knows about it is what he learned after the Shaffer was organized, is that right? A. Yes.

Q. Has H. M. Byllesby at any time had any experience in operating an oil refinery, or constructing a cracking plant, or anything of that kind? A. I think not.

Q. You had no experience, and haven't had any up to date, in the construction of cracking plants and the operation of Dubbs Stills, and things of that kind? A. No.

Q. Is that true? A. Right.

Q. What officer or director or employee of the Manage-

ment Company had experience in constructing Dubbs Stills and cracking plants? A. Well, Mr. Osthoff had enough experience as an engineer to build the first Dubbs plant.

Q. Did he have any assistants? A. He had a number of assistants, yes, in his own organization.

Q. Had he ever constructed a Dubbs Still or cracking plant prior to the one that he constructed for the Refining Company? A. I don't think so.

Q. All he knows about that is what he learned during the construction of this first still, is that true? A. Well, he must have known enough about it to build that correctly. It worked when he got through with it.

Q. Didn't he hire somebody else to do that? A. No.

Q. What had been his business prior to the construction of this cracking still, Dubbs Still, and so forth? A. Chief engineer of the Management Company, and building many powerhouses, pole lines and other work in connection with electricity and gas.

Q. That is, electric powerhouses? A. Electric powerhouses, and gas manufacturing powerhouses, and water works, telephone systems; he had a broad engineering knowledge.

Q. I believe you said during your original examination, which the reporter probably did not take note of, that the Shaffer was about two feet in front of the wolf all the time. Is that the statement you made? A. That is the statement I made, yes. I didn't say all the time. I said a good part of the time.

Q. A good part of the time. A. Yes. And if it wasn't for the Standard standing behind it, it would have been in receivership long ago.

Q. A good part of that time, from the time it was started until the receiver was appointed? A. Exactly.

Trustee's Exhibit D is Standard Gas & Electric Company report for the year ending December 31, 1924. There is a letter beginning on the first page, under date of April 9, 1925, addressed to the stockholders of the Standard Gas & Electric Company, 223 South LaSalle Street, Chicago, Illinois, purporting to be signed by John J. O'Brien, President, by order of the board of directors. That is the statement that was issued by the Standard by authority of the board of directors,

over my signature. I believe that to be a correct copy of that annual report and letter. On page 12 of Trustee's Exhibit D appears a list of companies under the heading "Standard Gas & Electric Company, securities owned December 31, 1924," with certain sums of money opposite the names of these respective companies. I believe that is a correct list of the companies that the Standard Gas & Electric Company controlled or owned at the time that report was issued, or dated.

The printed document marked for identification as Trustee's Exhibit E is entitled "Standard Gas & Electric Company Report for the year ended December 31, 1925," with a letter beginning on printed page 3, dated April 28, 1926, addressed to the stockholders, purporting to be signed by John J. O'Brien, President, by order of the board of directors. I believe that to be a correct copy of the Standard report of the year 1925. It also contains the balance sheet of the Standard as of December 31, 1925, showing assets and liabilities. I believe that to be a correct balance sheet. This report marked Trustee's Exhibit E also contains, on page 12, a list of the corporations in which the Standard owned securities, and the amount thereof.

Standard issued similar statements each year for the close of the preceding year up to December 31, 1926, '27, '28, '29, '30, '31, '32 and '33. I am quite sure that the Refining Company did not pay the Management Company any fees. The services rendered to the Refining Company were never charged for. The Shaffer agreed to operate the cracking plant, and to operate the oil leases, the Bradstreet properties, and to sustain all operating expenses, depreciation and depletion, and would be responsible at the end of the operating term for the same value of the properties as of the date they took over the management, and to pay rental.

Mr. John J. O'Brien, on redirect examination, by Mr. Gibson, testified:

Claimant's Exhibit 1, is an exact copy of the contract of March 14, 1921, between Shaffer Oil & Refining Company and C. B. Shaffer, written by me, and accepted by Mr. Shaffer. I recall sending that to Mr. Shaffer and receiving the acceptance as indicated here. That expresses the details of the modification of the contract to which I referred this morning. (Claimant's Exhibit 1 is admitted in evidence.) Claimant's Exhibit 2 is a duplicate copy of the contract made in 1919

with C. B. Shaffer in regard to the purchase of the Shaffer properties, to which there is attached a letter of guaranty signed by myself and other officials of H. M. Byllesby & Company, in regard to carrying out the terms of the contract. That is the original instrument which was prepared at that time, and the copy attached to it a correct copy of the contract. (Admitted in evidence.) Claimant's Exhibit 3 is supplemental to the contract with Mr. Shaffer, and is an original instrument executed by me and my associates, and Mr. Shaffer, at the time it bears date, May 20, 1919. That instrument was exchanged between Byllesby & Company and Shaffer at that time. (Admitted in evidence.)

Mr. John J. O'Brien, on recross-examination by Mr. Ramsey, testified:

In Claimant's Exhibit 2, being the contract of May 20, 1919, between H. M. Byllesby & Company and C. B. Shaffer, it calls for delivery to Mr. Shaffer of 44,000 shares of preferred stock at a valuation of $4,400,000. And in Claimant's Exhibit 3, my letter of May 20, 1919, to Mr. Shaffer, I say: "It is also understood and agreed between us that of the six million par value of seven per cent preferred stock of the new company which is to be received by you in part payment as set forth in said contract, one million dollars par value is to be purchased from you at par by either Standard Gas & Electric or H. M. Byllesby & Company within four months of the date of the contract, and the remaining five million dollars par value preferred stock to be received by you you will agree to keep off the market until after the completion of the payments and transfers of all the properties, and all the details embraced within the said contract," and so forth. Mr. Shaffer got six million dollars of preferred stock by getting an additional 600,000 shares, I think, for the Theta Oil Company. That brings it up to five million. The other million, I imagine, is part payment for Consumers. I am not positive of that, but Mr. Braheney can give you the details of that. I don't remember whether under the contract of May 20, 1919, between H. M. Byllesby & Company and C. B. Shaffer that the refinery at Cushing was owned by the Consumers Refining Company. Anyhow, the refinery went to the Shaffer Oil and Refining Company under that contract. The Shaffer Oil and Refining Company got the refinery.

H. M. Byllesby & Company at that time purchased from

C. B. Shaffer that one million of preferred stock and not Standard. Standard may have purchased it from Byllesby afterwards, but in the first instance I am sure Byllesby bought the stock. Shaffer kept the other five million dollars worth and surrendered it in 1921. My letter of March 14, 1921 in Claimant's Exhibit 1, addressed to Mr. Shaffer and signed by me, was written on behalf of the Standard Gas & Electric.

Bernard L. Majewski, a witness on behalf of the Claimant, on direct examination by Mr. Gibson, testified:

I live in Chicago. I am ancillary receiver of Deep Rock along with Mr. Greis. Prior to receivership, I was vice-president in charge of sales, and a director. I was connected with Deep Rock and its predecessor since September 1, 1917. After the purchase of the property from Mr. Shaffer I became division manager of the Illinois-Indiana Division and was a director of the company since January 11, 1928. The cracking plant at the refinery in Cushing was erected early after the purchase from Mr. Shaffer because the market at that time for fuel oil was very weak, very soft, and the sources that used fuel oil were becoming scarcer, due to coal competition. The Dubbs people, the Universal Oil Products Company, came to George Moore, with a proposition to crack fuel oil into gasoline, which at the time showed to crack fuel oil would be a profitable venture, a very profitable venture. George Moore brought the proposition to the Standard people, and they took on a contract for the purchase of a Dubbs unit, and the reason for going to the Standard people was that the Deep Rock, or the old Shaffer at that time, did not have the finances with which to build such a plant. It was necessary to get a guarantor who was substantial enough to satisfy the Universal people. A contract was entered into between R. J. Graf, Trustee, and the Universal people. R. J. Graf received a license and held the license for the erection of this plant. And the reason for putting it in was the economic reason of finding a market for the fuel oil by cracking it into gasoline. The actual cost of the plant was $318,906.50; that is, units 1, 2, 3 and 4, each being 500 barrel units. The reason for putting in the plant was, as I stated before, to find a profitable market for the fuel oil. There were a number of additions between 1923 and 1931 such as auxiliary equipment that was put in from time to time to keep up with the trend in the art of refin-

ing. In 1931 we entered into a contract for a new cracking plant. The Deep Rock Oil Corporation people handled the transaction, but it was handled in the Deep Rock Oil & Refining Company name, for the account of the Deep Rock Oil & Refining Company. We operated the old units two years beyond their economic life, due to the fact that we were short of cash, and trying to make it string out, and finally we persuaded the Standard to advance some money so that we could put in this modern unit. It is a 4,000 barrel unit, the last word in cracking equipment at that time, there was no such plant built like it. And the reason for putting in this large unit was to get the maximum Octane value, which was necessary to compete with other competitors who had refining and cracking units of late model. Cracked gasoline is highly essential. Straight run gasoline has a considerably lesser market value than cracked gasoline or ethyl leaded gasoline. The last plant erected in 1931 employed the Dubbs process, still operating under the original R. J. Graf Trustee contract. At that time the Universal people would not permit Deep Rock to make the contract unless Standard guaranteed the payment of royalties. During the period of the operation of the original plant erected in the latter part of 1922 and the early part of 1923, there were certain improvements and additions made from time to time to keep up with the progress of invention in refining. When we needed an expansion chamber, why we put on the latest model and type of expansion chamber. We put in an extra coiling operation, I believe in 1926 or '27, modern additions to the equipment as they came out. In 1931 we put in filtering or cleaning processes called the Gray towers and using Fuller's earth, which were not there when the plant was first erected. George Moore hired me when I came with the Consumers Refining Company. He was General Manager and President of Deep Rock and located in Chicago. He had been Vice President of Petroleum Production Company and Standard Asphalt & Refining Company, at Independence, Kansas, before that time. They were old-styled refineries. I am acquainted with Willfred E. Moody, located at Cushing, in charge of the refinery. He had had experience in the same place Mr. Moore was at, in Independence, Kansas. He has been at the refinery continuously since 1923, and prior to that time. During all of the years since 1919, when this property was purchased from Mr. Shaffer, I have always maintained an office in Chicago. I was always present

at the meetings mentioned by Mr. O'Brien since Mr. Gray came here, and even before then. When Mr. Gray came here on October 21, 1924, he organized an operating committee consisting of himself, Mr. Riddle, Mr. Francisco, Mr. Moody, Mr. Huey and myself, and later on Mr. Dade was called in to consultation. That committee handled the detail of the management of the entire business of the company. All appropriation requests, and so forth, were carefully considered by this committee before they were presented here. I believe I was present at all presentations with Mr. Gray, and most of the time we had Mr. Riddle and Mr. Francisco and Mr. Moody with us. We would present requests for advances to Mr. O'Brien and Mr. Graf generally. At times Mr. Lynch and Mr. Morrison were present, and Mr. Briggs. They were all officers of the Standard. Most of the time we could sell them, because we thought the propositions we offered them were good, and at the time we made them that they would pay out within a reasonable period of time; and many of the investments were good. One of the investments we recommended that came out well was a lubricating oil plant; we came and asked them for a million and a half dollars for it and we got it. It has been a profitable venture, this new cracking plant, the 1931, bubble towers for the manufacture of *naptha* specialties. I was present on a number of occasions when we recommended the purchase of some producing properties that did not turn out well, but we told them in advance they might not, that there was a great gamble and a hazard connected with them. I did not take part in the purchase of the so-called Bradstreet properties. In the new cracking plant Standard advanced the money for the specialties. I am not so sure about the new still.

We acquired the Home Oil Company property from Mr. P. C. Crenshaw. Its property is located principally in the states of Minnesota, North and South Dakota, with a few scattering points in Wisconsin and Illinois, and one in Iowa. There were about 238 filling stations at the time of the appointment of the Receivers in this case, about twenty-five per cent of which were on land owned in fee by Deep Rock, and now we operate approximately 700 other stations. The gasoline is obtained from the refinery at Cushing, Oklahoma, and shipped by tank car, except within a radius of 100 miles around Cushing, where we deliver by truck. In the marketing of our gasoline, the percentage of the straight run gaso-

line and the cracked gasoline that we marketed through our stations was about twenty-five per cent straight run, sixty-eight per cent cracked, plus lead, and seven per cent Ethyl. We also used the cracked gasoline for blending with the straight run gasoline, that is the reason for using lead in the middle grade of gasoline. Our people at Cushing, together with Mr. Gray, have contributed several notable accessories to the art of cracking. It brought about an increased throughput, and an increase in Octane value. One of them was by merely adding an additional hot oil pump to increase the charging capacity. The Universal people stated that theirs was the last word in cracking equipment, and guaranteed it would crack 4,000 barrels of fuel oil and produce fifty per cent gasoline. We fooled with the plant for over a year, and finally Mr. Gray, Mr. Moody and myself went to them and told them that they did not know anything about refining if they thought the present equipment would bring about a fulfillment of the guarantee. So we proposed to put in a hot oil pump, which would cost about $35,000.00, if they would pay for it provided it increased the capacity within the guaranty. We put it in, and 45 days later they acknowledged owing us $35,000.00. We made a settlement with them for royalties which they were claiming and were threatening to sue Standard for on the R. J. Graf guaranty, the Trustee's guaranty. Now the plant is producing fifty-three per cent raw gasoline out of a 4,000 barrel per day charge. The skimming plant has a capacity up to 12,000, but we can take 10,800 barrels every day nicely. Both plants are still operating, and maintained in good shape.

In the conferences which were held with the officials of Standard at Chicago, the officers of Deep Rock who were ordinarily present were usually Mr. Gray, Mr. Moody, Mr. Riddle, Mr. Francisco, and myself. Until about ten months before the receivership, we came every month. In the interims between the monthly meetings, being here at Chicago, I consulted with Mr. O'Brien, Mr. Graf, Mr. Lynch and Mr. Morrison very frequently. I was the advance selling agent for most of the appropriations. I wouldn't say I was the man that charmed them into furnishing the money, but that was my purpose, though.

Bernard L. Majewski, on cross-examination by Mr. Ramsey, testified:

The original contract with the Universal Products Company was negotiated by Messrs. Osthoff, Henry Grenecher and Van Gilst, engineers with the Management Corporation. That contract was reduced to writing. The Universal Oil Products Company owned the Dubbs cracking process. Now this contract that was reduced to writing was between the Universal Oil Products Company and R. J. Graf, Trustee. Those first cracking stills, that is, Nos. 1, 2, 3 and 4, were completed and put into operation in February, 1923. It took about nine months to construct them, at a cost of $318,906.50 that was for the units themselves. In addition to that, there was auxiliary equipment of several hundred thousand dollars. Those auxiliary equipments were put in before Mr. Gray's employment. The first addition was made when Mr. Gray came in June, 1925, was three hot oil pumps. In addition to that here is a copy of a guaranty on the part of R. J. Graf and Standard. Mr. Osthoff was then chief engineer for the Management Corporation, and also was a director of the Standard, and vice president. He occupied that position with the Standard at the time this contract was entered into with the Universal Oil Products Company. Mr. Grenecher was an engineer of Standard, but not an officer at the time. He was and is an officer of a subsidiary company of Standard, the Northern States Power Company. Mr. Van Gilst was just an employee of Standard and later became constructing engineer at the refinery for the Shaffer Company. We shut down cracking stills Nos. 1, 2, 3 and 4 in December, 1931, but two years prior to that we tried to get some money to replace them, but couldn't get the money. We were told by Mr. O'Brien and Mr. Graf to make the necessary repairs, and make them work as long as we could get them to perform. Mr. Graf was the trustee. He was also executive vice-president and director of Standard. After Mr. Gray became connected with the Shaffer, he was President of the Refining Company. I don't know whether he drew any salary from the Refining Company. Mr. Gray organized the operating committee about eight months after he came on the scene, on October 1, 1924, about eight months afterwards.

The Gray towers cost in the neighborhood of seventy-five or eighty thousand dollars for a paid-up royalty, and the units themselves probably ran sixty thousand. I knew we bought a paid-up royalty on them, and we are still paying on it. The new cracking plant erected in 1931 cost, approxi-

mately, about a half million dollars. This cracking still that was put in at an approximate cost of a half million dollars in 1931, was also a Dubbs still and was constructed under a written contract with the Universal Oil Products Company. It does not bear a royalty to the Universal. It has reference to this original R. J. Graf Trustee contract and just bore the same royalty. We are now negotiating for a lower royalty, but they want to take out some of the good terms of this contract. Deep Rock paid the royalties arising under the Universal contract. This contract that was entered into between the Universal and R. J. Graf was never assigned to the Refining Company. The Universal people never would agree to an assignment of that contract, because if they did the Standard guaranty would go off of it. I tried to induce them to do that, and so did Mr. Gray, for a number of years past. We are still trying to do it. That contract still stands in the name of R. J. Graf, and the receivers have adopted it and have paid the royalty. Ever since we made the settlement of $81,000, the receivers are paying currently, the settlement being for $225,000, for royalties accruing before the appointment of the receivers. The lubricating oil plant went into service in April, 1930, at a cost of approximately $1,500,000. We constructed that lubricating plant with our own engineering staff, and some engineers we hired, some people from the Badger, on uncertain phases of the operation, like chilling machines, and things of that sort. That lubricating plant is not erected on real estate belonging to or standing in the name of Mr. Graf, but is built on the refinery property proper of Deep Rock. Mr. Gray suggested a good many improvements which proved profitable.

The last plant of the Refining Company was his suggestion. Without it you would not be operating the refinery today. This operating committee which Mr. Gray organized, its function was to make suggestions and submit them to Mr. O'Brien and his associates for approval or rejection. That was my policy also. By marketing I assumed the responsibility of proposing the policy to be followed, and it was generally accepted by the committee, and then approved here. It took the ultimate approval here, though, of Mr. O'Brien and his associates before any policy was changed. He never changed it, though. We decided and told him about it. He never changed it.

R. J. Graf, called as a witness on behalf of the Claimant, on direct examination by Mr. Gibson, testified:

I have lived in Chicago since 1902. I am Vice-president of the Standard Gas & Electric Company and have been connected with that company since its incorporation. Previous to that time, I was associated with Mr. O'Brien and Mr. Byllesby and others since the incorporation of Byllesby & Company, in 1903 or '04. I did not take any active part in the negotiations with Mr. Shaffer in the purchase of his properties, but did in the conferences which led up to our purchase of that property. I conferred with both Byllesby & Company and Standard. The Management Corporation was organized about the same time as the purchase of the Shaffer property. I was a vice-president and director of the Management Corporation. The services rendered by that company to the properties purchased from Shaffer and subsequently operated under the name of the Deep Rock Oil Corporation, or Shaffer Oil & Refining Company were generally of consultative conferences with the officers and employees of the Shaffer, the approval of all contracts which they proposed to enter into, the development of policy, both from a construction and a merchandising standpoint. The chief engineering and operation service was rendered by the Management Corporation, and Byllesby & Company was chief banker. The character of the organization maintained by the Management Corporation during the years from 1919 to 1931 consisted of the highest class engineering, operating, purchasing, advertising and financial ability I think that you could find in the country. The headquarters were in Chicago. We had between 500, I think, and 750 men on our payroll either at Chicago or other places where we were doing work. The Management Corporation received its income from engineering and operating advice charged to the companies to which they rendered service. The charges which were made against the Shaffer were based on no rule of thumb. They were rendered after a conference of the officers of the company and a review of the work that they had done. In fixing those fees from time to time, the conditions of the financial affairs of the Shaffer were taken into consideration at all times. I think a record of the charges which were rendered against the company will show that we moderated that charge in the years in which their income decreased. We modified our charges, dependent upon the amount of the earnings as well as upon the service that we

rendered. I recall the purchase of the cracking plant at Cushing which was requested as an adjunct to the refinery of the Shaffer.

Q. The title to that property apparently was taken in the name of R. J. Graf, trustee; that is yourself. A. Yes, sir.

Q. For whom were you trustee? A. Standard Gas & Electric Company.

Q. How did you acquire the position of trustee for that company? A. Under advice of counsel, I imagine, that was the way they wanted it handled at that time.

Q. You were designated to take title for the benefit of Standard Gas & Electric? A. Yes, sir.

Q. And as such made all contracts with Universal Oil Products Company? A. Yes, sir.

Claimant's Exhibits 4, 5, 6 and 7 are copies of contracts dealing with the purchase of the cracking unit in the year 1922. They were the contracts which were entered into with you and for you as trustee during that time. (Claimant's Exhibits 4, 5, 6 and 7 admitted in evidence.) I don't recall whether or not I ever transferred to anyone the license issued to me by the Universal Oil Products Company authorizing the operation under its patent. I don't know whether the guaranty of the Standard which is marked Claimant's Exhibit 4 was ever discharged or released. I don't know of any release of Standard's obligation to see that the royalties were paid. Mr. Majewski, Mr. Francisco, Mr. John L. Gray and Mr. L. B. Riddle conferred with the officers of Standard Gas & Electric Company very frequently, Mr. Gray and his executive associates, at least once a month, and Mr. Majewski and others of the company from time to time during the month, during any given month. They would confer concerning operating, financing and marketing conditions. The meeting of the directors of the Deep Rock or the Shaffer were usually held in Chicago at the office of Mr. O'Brien. My particular functions in connection with this property were purely financial.

It would have been impossible for the Shaffer and Deep Rock in its financial condition during the majority of the time from 1919 to 1933, to continue in business without the financial support of Standard. Claimant's Exhibit No. 8 is a letter of Mr. Gray in which he offers to make a complete survey

of the Shaffer for $15,000 and traveling expenses. I believe the amount for which he offered to perform these services was paid to him. (Claimant's Exhibit 8 admitted in evidence.)

R. J. Graf, on cross examination by Mr. Ramsey, testified:

I am not an engineer. I know nothing about operating an oil refinery, except the financial end. I know nothing about or have had no experience in the construction of Dubbs cracking plants, or any other sort of cracking plants. I never had any experience in operating oil leases and development for oil and gas, except putting my money in. The directors of the Management Corporation were likewise directors of the Standard. The directors and officers of the Management Corporation were elected by the Standard. The purchasing committee of the Management Company was composed of three members. I think the three were at one time, at practically all times, were members of the board of Standard. There was but one member of the Management Corporation who had had any experience in operating cracking plants or refineries, or developing oil properties. Mr. Arthur S. Huey had some experience with them. He had been with H. M. Byllesby & Company since its organization. He devoted practically all his time to public utilities except these oil developments which he had undertaken. He had some oil properties in Kansas, Oklahoma and New Mexico, some in corporate form, and others in individual's names. I don't know whether he ever drilled a well. I don't know whether he ever operated a refinery. I don't know whether he ever operated or constructed a cracking plant. As a matter of fact, I don't know whether he ever had any experience in either one of those lines. He resided here in Chicago, but he spent most of his time in the field. Not having operated a complete unit in the oil business, we did not have any rule of thumb to follow in the charges which we rendered them for services, and such services as we did render, such as purchasing and consulting work, we just rendered a flat fee for them. There was no particular charge, the oil company received the full value and benefit of any of our national contracts for goods purchased for their account. The Management Corporation purchased principally pipe for the Shaffer. I imagine there were other things, like automobiles and tires, and things like that. We could give you a memorandum of those. But principally I think it was pipe that entered into the operation of the oil

company. The Management Corporation made contracts by which the engineering company purchased supplies usually after a consultation between the purchasing agent or the purchasing officer of the Deep Rock or Shaffer Company with our Mr. Bull. The Shaffer had some particular officer that looked after the purchasing of the materials and supplies which it needed. I can't state how many dollars worth of pipe was purchased through the Management Corporation for the Shaffer, but I can get those figures. I can't state definitely the amount, but I can get you those figures from our purchasing agent's file.

Q. Who fixed the amount of the charges or fees charged to the Shaffer for services rendered by the Management Corporation? A. The directors of the Management Corporation.

I don't remember whether there was any written contract made at any time between the Shaffer and the Management Corporation.

Mr. Gibson: There was no contract, written or verbal.

The Witness: Well, there was a verbal contract.

Mr. Gibson: No contract covering any specified scale, merely an agreement that they would give them the benefit of all discounts they received, and charge them a reasonable fee.

Mr. Ramsey: It is admitted, then, that there was no written contract between the Shaffer and the Management Corporation at any time.

Mr. Gibson: Covering its fees.

Mr. Ramsey: Covering its fees or charges for any services, purchasing pipe, or any other material.

Mr. Gibson: Yes, that is a fact.

Mr. Ramsey: Q. Included in the charges made by the Management Corporation against the Shaffer, were any part of those charges for financial services? A. Well, what do you mean by financial services?

Q. Well, assisting the Shaffer in raising money, finances. A. Well, not as such, no. But from time to time, as you know, the Standard advanced extremely large sums of money for these various corporate purposes of the Shaffer and Deep Rock.

Q. But what I want to know is this: Was there included in the charges made for the Standard against the Shaffer for services, any part thereof on account of financing or advising the Shaffer in regard to its financial affairs or its financial policy. A. That was all included in the management fee.

Q. Just all lumped together? A. Yes. I mean such services as we had at these conferences, which took those sums, we discussed the financial affairs, and advised them what they should do.

Q. And for that advice, a portion of the fee charged by the Management Company was included in the charges made by the Standard. A. For assisting in the financing, yes. For assisting in the development of the financial plans I think would be a better way to state it.

The cracking plant that is the one that was put in by the Universal Oil Products Company, was constructed on the land of the Deep Rock. I was acting as trustee for the Standard in making the contract with the Universal Oil Products Company dated the 10th day of July, 1922. I don't know whether, subsequent to that contract, the Deep Rock, or rather, known at that time as the Shaffer Oil & Refining Company, conveyed to either the Standard or to the Refining Company the land upon which these Universal cracking stills were constructed.

Referring to an abstract of title to a certain tract or parcel of land situated in the southeast quarter of section 22, township 18 north, range 5, east, being definitely described as follows: Then follow a long description, covering approximately ten or eleven acres, purporting to be the abstract of a deed executed December 6, 1922, by the Shaffer to R. J. Graf, Trustee, I don't have any recollection of that deed, or of any such deed as that. I do not remember that document. If such was executed to me as trustee, I was acting as trustee for Standard just as I was acting when I made the contract with the Universal. I don't have any recollection of having conveyed that land as described in the deed of December 6, 1922, from the Shaffer to R. J. Graf, trustee, or having been conveyed by me to anybody. If I ever had such a title, I have still got it.

Mr. Ramsey: It is stipulated by and between counsel for the Claimant and counsel for the Receivers that the witness Mr. R. J. Graf, has never assigned to anyone the Universal

license claim or contract dated July 10, 1922, shown by Claimant's Exhibit 4, and also Claimant's Exhibits 5, 6 and 7.

(Witness): The directors of the Shaffer usually held their meetings in the office of Mr. John J. O'Brien. I think they have held meetings, I don't know whether directors' meetings, in New York, and I think we had some in Tulsa. When the meetings were held in Mr. O'Brien's office, I refer to his office in the offices of Standard or the Management Corporation. Both offices are in the same building. Mr. O'Brien is President of all three of those corporations, and he just has one office. And the meeting of the directors of the Shaffer were usually held in his office.

Q. You say the Shaffer could not have lasted without the financial assistance and credit extended to it by Standard? A. In my best judgment, yes.

Q. It couldn't have existed from the time it was organized up until March 1, 1928, without the financial assistance of Standard, though? A. Well, it could have existed from the date of its organization, with the funds which had been provided for it at that time, if those funds had been productive of increased business.

Q. You mean if those funds had been produced? A. Produced.

Q. Yes. I am talking about actualities now. According to your testimony, you say that the Shaffer could not have maintained its existence without the financial assistance and the credit extended to it by Standard. A. Yes, sir, to the best of my knowledge.

Q. And it could not have existed on March 1, 1928, without that financial assistance, could it? A. No, sir.

Q. So far as your knowledge goes, from and after the time the Standard acquired Mr. Shaffer's stock, and required him and the directors he named to resign as officers of the Shaffer, the Shaffer adopted no policy, made no contracts, without the direction of Standard? A. Without consulting with the officers of the company.

Q. And obtaining the approval of the officers of Standard? That is correct, is it? A. Well, there may have been certain policies that were adopted, both in merchandising, operating, and construction down there that were reported to us after-

wards, the responsibility for which had been taken by the Shaffer Oil & Refining Co.

Q. Well, now, name one thing which the Shaffer did after Shaffer and his directors resigned that was not directed or approved before it was accomplished by the directors of Standard. A. Some marketing policies.

Q. What kind of policies? A. Prices of products that were sold; attitudes towards the controlling dominant factors in the middle west section of this country.

Q. You mean in the distributing department? A. Yes, sir.

Q. That was the department that was under Mr. Majewski's direction? A. Yes, sir.

Q. And Mr. Majewski managed that? A. Yes, sir.

Q. He testified he always consulted with the officers of Standard. A. He did; but I think his testimony showed that certain policies had been adopted by him and by his executive committee on the oil company, and then they were reported.

Q. Reported and approved before they were carried out, weren't they? A. Well, I say there is a larger distinction there. I think they were put in and carried out before they were reported to us, in some cases.

Q. Well, you would say Mr. Majewski would know better about that than you would? A. Yes, sir. I would say he would know entirely.

Henry C. Cummins, called as a witness on behalf of the claimant on direct examination by Mr. Gibson, testified:

I have lived in Chicago off and on since 1918. I am directing the operation of the public utility end of Standard. I have been connected with the Standard since 1910. I became directly connected with the Shaffer in approximately 1920. Prior to 1918 I had been engaged for some seven or eight years in the utility affairs of the Standard. At that time I went into the service. On coming out of the service, I, together with one or two other men, were informed by the management here that they had acquired oil properties. We were unassigned, and they wanted us to devote our energies to the oil business. Starting, therefore, about January 1, 1919, they arranged for me to become as familiar as it was possible for a man to become under specific direction with all phases, and particularly the producing end, of the oil business.

In the early spring of 1919 I was sent down to the field, as more or less unassigned. About the early part of 1920, after a year or so of knocking about, if you will, where I had every opportunity to become familiar, I joined the staff of Dale Shaffer, who was then at Oklahoma City, head of the Producing and I suppose Land Department, if you might call it such, of the then existing Shaffer Oil & Refining Company. Under Dale Shaffer my work continued along that same line, I was gaining first-hand information right in the field.

In the latter part of 1920 I returned to Chicago. In the spring of 1921, Mr. C. B. Shaffer resigned as president of the Shaffer Company, and Mr. Moore went in. I then became what might be termed executive assistant to Mr. Moore, and continued in that capacity until June of 1922, when Mr. Moore resigned, at which time I succeeded him. I had had, therefore, something over three years direct experience, mostly in the field, with respect to the oil business; three and a half years, to be exact.

I was president of the Shaffer from June of 1922 until the early spring of 1925. Actually, of course, Mr. John Gray, who succeeded me as vice president and general manager, took over the direct operation as of October 1, 1924. I, however, if my memory serves me, remained as president until the early part of 1925. Since Mr. Gray took actual charge of the operations, I have had no direct connection with the management of the properties. During the term of my connection with the company, my office was maintained in Chicago. I spent half of my time in the oil fields. The amount of production at the beginning of my first connection with the company, after its purchase from Mr. Shaffer in 1918, was in the neighborhood of 400 barrels. I became president, it was in the neighborhood of 2500 to 2700 barrels. During the term of my office we ran our production up as high as 12,000 barrels a day. During the time that my offices as president of the Shaffer were maintained in Chicago, part of the time they were in the same building as Standard, what might be termed directly across the hall. I think it was in 1923, the Standard offices were then in the old Continental Bank Building, we moved to 231 South LaSalle Street. When I say "we," I mean the Shaffer Company moved to the LaSalle Street Building. At no time were they more, so to speak, than across the street from the Standard offices. The other offices of the Shaffer maintained in Chicago, in addition

to the president's office, were all the general offices of the Shaffer Company. We had a producing and land office at Tulsa, our general marketing offices. Our general offices were here in Chicago. The principal purchases, substantial purchases of the Shaffer made during the term of my connection with it, were made both in Chicago and Tulsa. It was our own organization which maintained the purchasing office at Tulsa. Mr. Majewski now is certainly one of the very prominent national figures in oil control. I am familiar with the extent to which the officers of the Standard participated in the affairs of Deep Rock, or Shaffer Oil Refining Company.

Q. How frequently, if at all, were there conferences held between the officers of the Shaffer and those of Standard? A. I would say that there were general conferences at least once or twice a week. Aside from that, there was hardly a day on which I was not in touch with some member, particularly with the fiscal end of Standard.

Q. Who, particularly, did you confer with generally in regard to the money affairs, fiscal affairs? A. Mr. O'Brien mostly, at that time.

Q. And what was the nature of your conferences? A. Well, we needed money very badly. We were on a period where we had to expand, the company had to close mortgages, its earnings were not good, it had to go ahead, it couldn't stand still. To go ahead meant money.

Q. What arrangements did the company make to get money, from what source did it get it? A. Entirely from Standard, practically entirely.

Q. State whether or not you had any such thing as a budget or an allowance for monthly expenditures for the acquisition of property or the development of property, during that period. A. That was insisted on almost immediately, if my memory serves me, after I succeeded Mr. Moore. As an example, we had secured an appropriation, I think this was shortly before I came in, we had secured an appropriation of $50,000 a month for leasing purposes.

Q. From what source had you secured that appropriation? A. Of course, it was voted by the directors of the company; the money actually was supplied by the Standard.

Q. Was that amount of money expended under your direction in extending the production of the company? A. Yes, sir, leases and production.

We did exceed the $50,000.00 monthly allowance in particular instances. For example, the Bradstreet properties were purchased during my time. That, of course, did not come under any fifty thousand dollars a month. This fifty thousand was just for normal acreage protection, and occasionally a well that had to be drilled, to secure a new lease, or something of that kind. As I say, in 1922, and even before I went in in 1922, the most determined effort had been made by Mr. Moore to increase production; I do not mean that the Shaffers had not tried, but when Moore went in, and afterwards, there was a most determined effort made to increase production. Practically every lease at the time George Moore went in as president that was drillable had been drilled under the direction of Mr. Dale Shaffer. We had to start out literally to get acreage on which additional drilling could be done. As those connected with oil business will know, it take time to build up your acreage. We started in the early part of 1922, when Mr. Riddle became head of our production and land department. That continued, but results, of course, did not immediately come. We had to build up a geological department. We had to move our offices from Oklahoma City, where they had what to my mind was the old style individual producer's office, a land department that, in modern practice, would not have been recognized as a land department. Under Mr. Moore the offices were moved to Tulsa. Arrangements were made for a real land and leasing department.

In the spring of 1923, by that time, and I think it was that time, our production was falling, had fallen at a very alarming rate. While we were all very hopeful of the results that were coming, they had not appeared to date. Accordingly, we wanted something in the nature of production to tide us over the emergency. Mr. Riddle, and Mr. J. Elmer Thomas, who was then working for us as a consulting geologist, were informed to that effect. They began, so to speak, to make a survey. It was not very long before both of those gentlemen came in with the earnest recommendation that the Bradstreet properties be acquired for a price, if I recall it, of some $600,000, possibly $650,000. The Bradstreet properties were earnestly recommended by both of those gentlemen, and, as those who are still associated with the Deep Rock know, those two men did not often agree on the same thing, but in that case they both agreed.

We finally purchased those properties, the physical property only, if my memory serves me, for a price of $500,000, approximately. In addition to that, we paid an additional sum of money for materials on the ground, and so on, which, generally speaking, are paid for independent of the actual price paid for the real property.

My impression is that the title to the Bradstreet properties was taken in the name of a trustee, and I believe it so remained during my term of office. The appropriation of $50,000 a month by the Standard for expenditures in development of oil properties continued until I retired as active manager. I don't know how long it continued after that.

Henry C. Cummins, on cross-examination by Mr. Ramsey, testified:

I went down to Oklahoma in January, 1919, with a view to familiarizing myself with the oil business, at the instance of Standard Gas & Electric Company. The Shaffer Oil & Refining Company paid my salary as president. The Shaffer Company paid my salary while I was vice president. That is while I was under Mr. Moore. We had a purchasing agent in Tulsa whose business was to handle such purchases as would be handled in the field, to a large extent purchasing supplies to drill wells with, and such supplies as an ordinary oil company needs in the operation of its properties. Mr. Riddle or Mr. Thomas recommended to me in Chicago that the Bradstreet property be purchased for the Shaffer. At that time the Shaffer Company had no way of raising money except as it was advanced by the parent company. Now, also, regardless of where the title to the property ultimately rested, it had to be purchased through a trustee in order to permit permanent financing to be done. We had a closed bond issue, we did not have earnings sufficient to raise additional money, there was no other way it could be done except by doing it through a trustee, because if we put the title to those *propoerties* immediately to the Shaffer Company, it became impregnated with that mortgage, and you couldn't do a darn thing with it.

Q. With whom did you discuss the advisability of acquiring the Bradstreet properties? A. I reported to some of our directors here in Chicago.

Q. What directors? A. Men like O'Brien.

Q. Directors of Standard? A. Yes, sir.

Q. What did you decide to do about it? A. We decided to buy.

Q. Who for? A. To buy for the Shaffer Company.

Q. Well, it was taken in the name of J. C. Kennedy as trustee? A. Simply because the Shaffer Company could not raise the money if they took it in any other way.

Q. Who was Kennedy trustee for? A. That I can't answer without checking.

Q. You don't know what has been done with the title to those properties? A. I don't know, after I left, no, sir.

I had something to do with the Refining Company. It was organized during my time. As I recall it, the only purpose of the organization of the Refining Company was gradually to provide a vehicle for additional finances, but unfortunately, as you gentlemen know, before you can finance, you have got to build up something; that is, if you have a few hundred thousand dollars of property, and go out and try to get money on it, you are laughed at. The money for the Bradstreet property came through Standard. I don't know whether Standard paid for it direct to Bradstreet.

William R. Francisco, called as a witness for the Claimant, on Direct Examination by Mr. Gibson, testified:

I am secretary and treasurer, and director of Deep Rock. I have been connected with the company now known as Deep Rock since 1919. Prior to this I was with Peat, Marwick, Mitchell & Company of St. Louis, public accountants, for a short period of six months to a year. And prior to that, I was with the Waters-Pierce Oil Company in St. Louis for about seven years. I came in July, 1919. If I remember correctly, I was employed on a three months' trial, and as Mr. O'Brien stated yesterday, I think my first pay check came possibly from Byllesby & Company. I was made a director of the Shaffer in 1923, I am not sure of that date, and have been a director of that company ever since. I was and still am also a director of the Refining Company. I have been in the auditing and accounting and financial end of the business. My office has been in Tulsa since December 1, 1925. Previous to that time it was in Chicago. Mr. O'Brien was president of the Shaffer when the office was removed to Tulsa in 1925. Mr. John L. Gray was in actual charge of the operations of the

company at that time. After the removal of the offices of the Shaffer to Tulsa, meetings of the directors of that company were subsequently held at Chicago at 231 South LaSalle Street frequently. Conferences were also held in Chicago on an average of about once a month. I think I attended most of the conferences and the meetings which were held in Chicago. Generally, those meetings in Chicago were attended by Mr. Gray and Mr. Riddle, Mr. Moody, Mr. Majewski, myself, Mr. O'Brien and Mr. Graf. And the order of business in those meetings was to present to the gentlemen present the forecast of budget of our affairs as the operating officials saw them for one year hence. The allotment to the different kind of expenditures, such as drilling, and lease rentals, and advertising, operating expenses, construction, were all discussed, and certain amounts allowed for those different things. Then after we discussed the budget situation, there was generally a discussion of our lease holdings and our drilling wells and our refinery problems, and marketing problems. At each meeting we discussed the manner of raising money for the purposes of the company. I am familiar with the general condition of the affairs of the Shaffer and its successor Deep Rock, as it is now known, during all of that time. It was necessary to obtain money other than money raised by the company from its operation. Sometimes two or three time a month money was obtained from the Standard. As we would discuss this budget, I would notify the Standard Gas & Electric that we would need a certain amount on a certain date, and those funds were deposited for us in our bank accounts. The reason why we notified Standard that we needed money was that usually we were borrowed up to the hilt with the banks, and owed the supply companies, so that was about the only place we could get it. Standard advanced this money to the company, or deposited it to its credit when the demands or requests for money were made by our officers. I have examined the account which is the basis for this claim. The balance as shown on our books due Standard at February 28, 1933, is $9,342,642.37. That is the amount for which this claim was presented. That includes cash advances, net cash advances, the rentals charged to us, management and supervision fees, interest, and dividends which was credited to Standard account. But aside from those items about which there is a controversy in this case, the entries of cash paid to or for the account of the Shaffer are correctly portrayed in

that account. They have been audited by public accountants. In requesting the advance of money by Standard, we would produce a budget for a twelve months' period, starting with the particular month, and extending twelve months hence, showing our estimated cash receipts and disbursements, such as these budgets for December, 1926, one for January, 1929, and one for January, 1930. (Producing documents.) This budget or estimate, dated December, 1926, is a forecast of cash receipts and disbursements for the twelve months ending November 30, 1927. I want to explain that, first, these figures were supplied me by the operating heads of the different departments. Mr. Riddle provided the figures for the producing department and the pipe line department; Mr. Moody for the refinery; and Mr. Majewski for the marketing end. These were not made by us, they were only recapped by us.

This particular one shows that we opened here on December 1st on this page with a $500,000 balance, and closed with 407 thousand, so we spent about a hundred thousand dollars more than we took in; but in doing that, we forecasted the expenditure of approximately $3,000,000 in construction, and we paid off $805,000 worth of notes, both bank and trade notes. And this provided paying $1,713,000 into the sinking fund for the bonds then outstanding, with interest charges, and paying a preferred dividend of $980,000, in addition to making provisions for federal taxes. That was based on an estimated earning figure supplied by these gentlemen of $5,794,000 in that year, with what we call an optimistic earning figure of $7,000,000. In other words, we thought we would do $5,794,000, but if conditions changed the way we thought they might change, we might earn $7,000,000. In this particular period, this forecast shows that we would not ask Standard for any money; and I think all these three forecasts will show that, also. That covered the operations of the year 1927, as contempated at that time. As a matter of fact our hopes were not realized. During that time, in reality, we did have to call on the Standard for additional funds. I can tell you what we received from Standard during the year 1927, ending November 30, 1927. I am answering that question from the audit report of Peat, Marwick, Mitchell & Company, which was prepared for the receivers, which shows that in the year 1927 we received cash from Standard in the amount of $2,326,000. There was cash deposited by Standard in the sinking fund for our account in the amount of $1,713,000. There was

cash advanced by Standard to pay interest on notes to the extent of $450,000, and cash advanced by Standard to pay interest on six per cent first mortgage gold sinking fund bonds of about $186,000. There are some other minor items in there. The total of the cash paid out by Standard for the benefit of the Shaffer during that period was approximately $7,000,000.

For the year ended December, 1929, we estimated through our budget forecast that we would earn $4,908,000, with a possible earning of $5,231,000, and that our cash balances would increase from $600,000 which we had on hand December 31, 1928, to $2,310,000, after providing for payment of notes to the extent of $440,000, approximately, interest of $600,000 on our six per cent convertible gold notes, other interest charges, and $350,000 of preferred dividend.

Q. You mentioned four hundred some odd thousand paid on gold notes. What was that amount? A. That was on notes, bank notes and trade notes, approximately 440 thousand.

Q. You said something about interest paid. A. Interest paid on the five year six per cent convertible gold notes, $600,000.

Q. What was the amount of those notes? A. $600,000. Estimated federal taxes of $81,000, and paying Standard Gas & Electric Company $631,000. I might add that in this other forecast there was no provision made for paying any amount to Standard.

Mr. Ramsey: Q. What was that $600,000 there, that estimate. A. $631,000 paid to Standard, was that the estimate of what we were going to do.

Q. What was that for? A. I think that was the rental charge, Mr. Ramsey, plus interest.

Q. Rental charges on what? A. On the accumulated balance.

Mr. Gibson: On Bradstreet. A. Yes, rental charge and interest that we owed them on the open account.

Mr. Ramsey: Q. That was under the lease on Bradstreet? A. It does not show here. I am just assuming that.

Mr. Gibson: Q. As a matter of fact, state what if anything was advanced to the company by the Standard during that same year. A. You mean cash?

Q. Yes, sir, paid either to or for the account of the company. A. Approximately $2,300.000.

The forecast made in January, 1930, for the year ending December 31, 1930, covers the period of twelve months ended December 31, 1930, and is predicated upon an opening balance of $900,000, and a closing balance of cash of $2,829,000. The estimated earnings for that twelve months period were $7,000,000, with a possible earnings of $8,200,000. This provides for taking care of the $3,200,000 of construction items, reduction of bank loans of $300,000, payment of interest on our five years six per cent convertible gold notes of $600,000, payment of preferred dividend of $350,000, and payment to Standard of $868,000. That $868,000 was supposed to be for interest charges. During that year 1930 we received from Standard about $1,350,000, approximately $1,350,000.

When we came to these conferences or meetings in Chicago, we came about once a month so that this picture was changed each month, but there was generally an allotment made of twenty-five or fifty thousand a month for acquisition of leases, and different amounts up to perhaps a million and a half for the drilling of wells. The actual purchases of those leases and the drilling of those wells was handled under Mr. Riddle's jurisdiction in Tulsa. No limitations were placed on the Shaffer Company by Standard in those years as to the manner of the expenditure of its money by directing what it should or should not buy, or whether it should or should not drill. We were given that budget allowance, and to my knowledge Standard never directed the drilling of any wells or the purchase of any leases. I refer to one of these budgets which happens to be for the twelve months ended December 31, 1930. This showed that our cash position was going to be free, and that there is $1,448,000.00 representing wells agreed to be drilled at the rate of $100,000.00 for nine months, and various amounts for the first three months. At these meetings we made our forecast showing what we needed in the way of cash. The particular one showed we did not need cash.

These forecasts showed that we did not need cash, but before the end of the term for which the forecast was prepared, we found we actually did need money. When that contingency came about, and we found we did need money we would be up with another forecast, which would show immediate need of money, like for a sinking fund in the immediate month, and

Standard would agree to furnish the funds for us. Mr. O'Brien and Mr. Graf would go over with the men present the propriety of expenditures, and the necessity and purposes of expenditures from an operating standpoint. They would discuss the general conditions of the oil business, and business conditions generally with us. Each month when we came back, that picture would change by reason of the fact that it did not work out just as had been anticipated. And when we fell short, we would ask the Standard for money. They always advanced the money that we asked.

In this account to which reference has been made, the account filed by the claimant here, there are certain items of interest on the moneys which were advanced by Standard. Interest was handled on the monthly balance, on the basis of seven per cent. Standard would send us a charge representing seven per cent interest on the balance as shown by their books, which we would check up, and, in most cases I think it was all right. There may have been some minor discrepancies back and forth. If they made two advances during the month, they charged thirty days' interest on the previous balance, then charging us the number of days interest on the advances. I don't remember whether the accounts were exchanged between the two companies at the end of each month and reconciled. At the end of each month, the accounting department of Standard must have rendered a bill to Shaffer showing the amount due to Standard. The balance was never paid. There were payments made to Standard. We may have paid the specific charge item, like for instance interest, that may have been paid, or other specific charges may have been paid. In reference to the rental on the Bradstreet properties under leases of 1925 and 1930, bills were rendered each month for rental for the current months. Most times they were not paid, but in some instances they were paid when the Shaffer Company had funds available.

William R. Francisco, on cross-examination by Mr. Ramsey, testified:

H. M. Byllesby & Company paid my first month's salary. After that the Shaffer paid my salary. These meetings of directors of the Shaffer were held in the offices of the Standard or in the Shaffer offices in Chicago. I don't know of any directors' meetings of the Shaffer held in Tulsa. I was secretary for the Shaffer from sometime about 1923 down to the

date of the receivership. I was elected a director of the Shaffer in 1923. I would say practically all the checks on Deep Rock bank accounts were drawn and signed by myself or Mr. Kerr, sometimes Mr. Gray or Mr. Riddle. Mr. Kerr and I signed the bulk of them. I think there was occasionally a check signed by the Shaffer officials residing and maintaining their offices in Chicago. I would be notified of the signing of such a check. The Chicago parties were authorized to sign on all our bank accounts. Those Chicago parties were Mr. Lynch, Mr. Pohl, Mr. Graf; I think those were the three. Mr. Pohl is an employee of Standard. I heard Mr. O'Brien testify that the Shaffer was about two feet in front of the wolf all the time. I believe that was about true. There were times when this company did earn some money. In 1926 we earned, I think, about six million dollars. In 1927 and 1930 we earned about four million dollars. So to that extent I want to say that we were not always just two jumps ahead. We might have been three or four, at some times. I have some items in the audit made by Peak, Marwick, Mitchell & Company, for the year 1927, which were paid by Standard. We received $2,326,000.00 in cash and cash deposited by Standard to retire 1929 first mortgage bonds in the sum of $1,713,703.32, which was deposited in our bank account for the retirement of the first mortgage six per cent bonds, which were the old bonds issued in 1919 as a part of the $15,000,000.00 bond issue. That money was undoubtedly deposited by Standard with the Continental Bank & Trust Company, as Trustee, under the first mortgage, to retire those bonds or for the sinking fund required by the indenture.

According to our books, dividends on preferred stock of Deep Rock paid by Standard, with which Deep Rock credited their account, amounted to $3,312,944.45. I think this was the way those dividends were paid: The Standard would deposit the amount necessary to take care of the dividends in a Chicago or New York bank, in a special account in the name of the Shaffer, and have special checks printed for the purpose of paying the dividends drawn on that special account. I think that those dividends that were paid by the Standard and charged to the Shaffer never did become a part of the deposits, general deposits, general bank deposits, of the Shaffer. On Exhibit A to the Standard's petition in intervention there is an item entitled "Byllesby Engineering & Management Corporation, sundry charges $230,463.16." That charge from the

Management Corporation was transferred to Standard, and then by the Standard charged to us. In this Exhibit A to Standard's petition in intervention, in addition to the sundry charges $230,463.16, there is a supervision fee charge of $1,219,034.83. The amount was transferred from the Management to Standard, and then Standard charged it to us, in our account.

Q. You mean the Management Corporation assigned its claim against the Deep Rock? A. No, I don't mean that.

Q. What do you mean? A. The Standard may have paid them. I don't know what the Standard did, Judge; but it came to us as a charge to us through the Standard account. They assumed it some way or another. Whether they paid Byllesby I don't know.

There was a rental charge under a contract between the Shaffer and R. J. Graf, trustee, and J. C. Kennedy, trustee. That rental contract called for $325,000 for the last three months of the year 1925 and $50,000 a month for the next four years and nine months. The contract was between the Shaffer and the Refining Company. The rentals were credited to the Refining Company on our books, and as far as payment is concerned, we actually paid a few of them in cash. The rest of them were credited, found their way, into the credit of the Standard account.

Q. What do you mean, paid a few of them in cash? You mean paid by checks? A. Yes, sir.

Q. To whom were the checks payable? A. Standard.

Q. And when the Shaffer was unable to pay the rental, the Standard charged the unpaid rental against the account of the Shaffer. A. Yes, sir.

The minute books of the meetings of the board of directors of the Shaffer were kept in Chicago. It sometimes happened that the board of directors of the Shaffer would have meetings in Chicago, and minutes of their proceedings would be drafted and forwarded to me as secretary at Tulsa to be O. K.'d and signed. This printed document entitled "Standard Gas & Electric Company, Report for the Year Ended December 31, 1926," identified as Trustee's Exhibit F, has on page 52 and 53, a condensed balance sheet of the Shaffer and subsidiaries for the year ending December 31, 1926. I cannot say who prepared the balance sheet. I assume it was taken from the

figures that were prepared in our office, the balance sheet that was prepared in our office.

Q. Did you prepare similar annual balance sheets which were submitted to the Standard, and contained in their printed published reports for annual statements? A. We submitted balance sheets to Standard at the end of each year. They were something in the form of that shown on pages 52 and 53.

We prepared a balance sheet for 1926 which is substantially the same, but there are some slight differences in it. For instance, in the property account they show $35,621,225.81, in the Standard Report. We show $35,438,741.67. However, now, the totals of all assets are exactly the same. There are some changes around in here, which do not amount to anything. Trustee's Exhibit G, entitled "Standard Gas & Electric Company is a similar report for the year ended December 31, 1927," and on printed pages 50 and 51 is a condensed balance sheet of the Shaffer and subsidiaries for the year ending December 31, 1927. Under liabilities there is an item entitled "Due proprietary company $6,279,188.22." The proprietary company is Standard. That sum $6,279,188.22 plus $100,000 was owing by Shaffer to the Standard on December 31, 1927. On March 1, 1928, our books show that we owed the Standard $7,003,069.16. That did not include $4,250,000 of the Shaffer five year six per cent gold notes due in 1931. On December 31, 1927, we supplied the Standard a balance sheet taken from our books. There is no material discrepancy between our balance sheet, that we furnished the Standard and the balance sheet printed on pages 50 and 51 of Trustee's Exhibit G. The totals are the same.

I recall the purchase of these so-called Bradstreet properties. Receivers' Exhibit H is a photostatic copy of the contract entered into on the 15th day of February, 1923, between the Bradstreet Oil Company and J. C. Kennedy, trustee. I think I was on the board of directors of the company at the time this property was purchased. I don't remember sitting in on any meeting at which the purchase of the property was discussed. There undoubtedly was a discussion of the matter preceding the purchase of the property and preceding the making of this contract, but I don't recall it. I couldn't answer the question as to for whom J. C. Kennedy was trustee. I never knew for whom he was trustee. I don't know now. Approximately $650,000 was paid Bradstreet for the so called

Bradstreet properties, I think five hundred thousand in cash and 150 thousand in notes. The Shaffer executed the notes that were given as part of the purchase price of these properties. I think there were three $50,000 notes, thirty, sixty and ninety days maturity. They were interest bearing notes. The notes were paid by the Shaffer. We did not pay the balance of the consideration for the property, but I understand that Standard paid it. It was not charged to the Shaffer. The account was carried on the books of the Shaffer in the name of J. C. Kennedy, trustee. It was carried in the name of J. C. Kennedy, trustee, until 1925, The officers of the Shaffer operated the Bradstreet properties. The Shaffer paid the expense of operation. The Shaffer received the proceeds of the sale of oil and gas produced from these properties. The Shaffer did not account to J. C. Kennedy as trustee for the proceeds of the sale of oil and gas from these properties. J. C. Kennedy, trustee, never reimbursed the Shaffer for the $150,000 paid as part of the purchase price of the property, but we got an advance from Standard for $150,000 about that time. I don't know whether it was for this or not.

Q. Do you have any information showing whether it was for this specific purpose *of* not? A. We could look it up.

Q. Will you do that? You have no information to show it. A. No information to show it.

Q. That is not on your books? A. I am speaking of the books.

Q. During the period from the acquisition of these properties until 1925, when they were taken over by the Deep Rock Oil and Refining Company, did the Shaffer Oil and Refining Company have any contract with J. C. Kennedy, trustee, for the operation of the properties? A. None that I know of, no, sir.

Q. Did they have any verbal agreement that you know of? A. No, sir.

Q. Did they have any verbal agreement with Byllesby, or with Standard, with reference to the properties? A. None that I know of, no, sir.

J. C. Kennedy was an employee of the Shaffer, in charge of the pipe line. Then from the time that the properties were acquired until 1925 they were operated in identically the same manner as other properties of the company. And the proceeds from the sale of oil and gas were received and expended

in the general account of the Shaffer, the same as any other properties which might have belonged to the company. $1,033,294.32, net, was spent in the development of the Bradstreet properties between the date of their acquisition and the time that the title was put in the Refining Company. I assume that was charged to J. C. Kennedy, trustee. I don't think any interest was charged to the account of J. C. Kennedy, trustee, on account of that advance. I don't recall by whose direction this account was opened with J. C. Kennedy, trustee. I don't recall by whose direction the property was developed at the expense of the Shaffer. The account with J. C. Kennedy, trustee, was opened on our ledger by Mr. Kerr under my direction. I don't recall from whom I received my authority. I undoubtedly did receive instructions from someone with reference to the manner of handling these properties. But I do not recall who that was. I recall the organization of the Refining Company. I did not participate in any discussions preceding the organization of this company nor was I advised prior to the organization of the company that it was going to be organized. The first information I had would be in 1923, when the Refining Company was actually organized. At that time, I was a director of Shaffer Oil and Refining Company. I don't recall when the title was placed in the Refining Company, to the Bradstreet properties.

Mr. Martin: I think the record shows, or will show, at least that title was put in the Deep Rock Oil and Refining Company perhaps in 1925, is that not true?

Mr. Gibson: Yes.

Mr. Martin: 1925.

I don't know who owned the stock of the Refining Company at the time of its organization. I think the stock of the Refining Company was owned in whole or in part by the Shaffer.

Mr. Martin: It appears that on March 22, 1923, stock of the Deep Rock Oil and Refining Company was issued as follows: To R. J. Graf, one share; to R. J. Graf, two shares; to R. G. Hunt, two shares; to B. W. Lynch, two shares; to A. S. Cummins, two shares; to J. H. Briggs, two shares; to J. C. Kennedy, trustee, 8990 shares.

Mr. Francisco: The R. J. Graf referred to is the same R. J. Graf who testified in this case, who is the executive vice

president of the Standard. R. G. Hunt is connected with Standard or Byllesby Engineering. B. W. Lynch has been one of the directors of Standard for a number of years. A. S. Cummins is a brother of this Mr. Henry Cummins that testified this morning. I think he was connected with the Standard, March 22, 1923. J. H. Briggs was also connected with the Standard on March 22, 1923.

Q. It appears that stock certificate No. 8 was issued to M. A. Morrison, and was dated March 22, 1923, and was by transfer of 8,990 shares from J. C. Kennedy, trustee. Is that the M. A. Morrison who is the treasurer of Standard? A Yes, sir.

Mr. Morrison was connected with the Standard on March 22, 1923.

Mr. Martin: It further appears that on March 27, 1925, two shares of stock were issued to J. L. Gray by transfer from R. G. Hunt.

Mr. *Fransisco:* That is the same Mr. Gray who has been referred to throughout the testimony.

Q. It further appears that on March 27, 1925, two shares of stock were issued to L. B. Riddle, one of the plaintiffs in the case?

He is the L. B. Riddle sometimes referred to as Barney Riddle, who was Vice President of the Shaffer for a number of years.

Q. It further appears that on April 7, 1926, two shares of stock were issued to W. R. *Fransisco.* Is that yourself? A. Yes, sir.

Q. And that this stock was transferred from J. H. Briggs. And on April 14, 1923, two shares were issued to B. L. Majewski by transfer from J. L. Gray. That is the same Mr. Majewski who was on the stand a while ago? A. Yes, sir.

Q. It further appears that on April 14, 1933, two shares of stock were issued to Richard K. Huey by transfer from L. B. Riddle. That is the Mr. Huey who was with the Shaffer for a number of years, and is now in Tulsa? A. Yes, sir.

I recall the circumstance of the transfer of the Bradstreet properties to the Refining Company. Our records show on October 1, 1925, the Deep Rock made an entry charging securi-

ties owned and crediting J. C. Kennedy, trustee, in the amount of $649,999, to record the purchase of 8,325 shares of the capital stock of the Refining Company from J. C. Kennedy, trustee, purchased as of March 22, 1923.

Q. I wish you would look at that stock book and see if you can find where any stock was issued. A. No, sir, there does not seem to be any record of that stock.

Q. You were secretary and treasurer of the company at that time? A. I believe so.

Q. Was any stock certificate ever delivered to you evidencing the company's ownership of this stock? A. No, sir.

Q. About which you have just testified? A. No, sir.

Q. Was the acquisition or purchase of this stock ever discussed in a director's meeting of the Shaffer? A. Not that I recall.

Q. Do you know anything of the circumstances connected with the acquisition of this stock A. No, sir.

Q. Do you know why this stock was issued or supposed to have been issued to the Shaffer except as reflected on the books? A. No, sir.

Q. Who made the entry on the books? A. Mr. Kerr.

Q. Under whose direction? Do you recall, Mr. *Fransisco,* the entry being made? A. No, sir, I do not recall it, Mr. Martin

Q. You don't recall, therefore, giving Mr. Kerr any directions with regard to it. A. I didn't give him any directions.

Q. You didn't give him any directions? A. No, sir.

Q. Did you receive any directions with regard to this entry? A. Not that I recall, but we must have received some directions. We probably received them from Mr. Brahney.

Mr. Brahney is one of the vice presidents of Standard. I think he was general auditor at that time. I have other entries on the books at or about the time of the title to this Bradstreet property passing to the Refining Company. This entry I refer to was made on October 1, 1925, and on that same date Standard was charged with securities owned and credited on the books of the Deep Rock in the amount of $649,999 to record the sale of 8,325 shares of capital stock of the Refining Company to Standard, as of October 1, 1925. That entry did not increase the Standard account against Deep Rock by that amount. It had no effect on the balance of the Standard. It

did not have the effect of increasing the Shaffer's indebtedness to Standard. I don't think it had any effect.

Q. If the Shaffer had purchased that amount of stock from Standard for a given consideration, and had not paid for it, there would have been a charge made against the Shaffer for that amount, would there not? A. The entry was a charge to our securities owned, and a credit to J. C. Kennedy, trustee, the original entry.

Q. Was the J. C. Kennedy, trustee, account later transferred to the Refining Company? A. No; transferred to Standard.

Q. Then the J. C. Kennedy account was affected by that entry, wasn't it? A. Yes, sir.

Q. And the Shaffer, on account of that entry, was indebted to J. C. Kennedy, trustee, in a lesser amount, by the amount of that entry? A. Well, the other entry, Mr. Martin, was made on the same date.

Q. So did one offset the other? A. Well, I am not clear on that. Apparently one did offset the other, Mr. Martin, right on the same date.

The Deep Rock doesn't have an account with J. C. Kennedy, trustee, any more. That account was charged to Standard on October 1, 1925. Mr. Kerr transferred the account from J. C. Kennedy, trustee, to Standard. He apparently made it on the authority of this letter from Mr. Brahney, which is identified as Trustee's Exhibit Eye. I couldn't say whether the transfer of the account was made at the time the authority was given, or whether it related back to a previous date.

Q. What was the amount of the J. C. Kennedy, trustee, account at the time of its transfer to Standard? A. I haven't that record before be, but the J. C. Kennedy and the R. J. Graf, trustee, accounts amounted to $1,894,592.11.

Q. Does that mean that the Shaffer had advanced that much money, or paid that much money for the account of Kennedy and Graf as trustees? A. Yes, sir.

Q. And that money was paid between what dates? A. That money was paid up to October 1, 1925.

Q. Was there ever any authority on the part of the board of directors, or authority from the board of directors of the Shaffer, authorizing the transfer of this account from J. C. Kennedy, trustee, to Standard? A. I don't think so. That

was the amount we charged to Standard, and thereby reduced the amount we owed Standard.

I recall the construction of the pressure stills Nos. 1 to 4, in the year 1922. Claimant's Exhibit No. 6 is a copy of the construction contract. I think I am familiar with the operation of a refinery. There was a refinery which belonged to the Shaffer near Cushing at the time and prior to the construction of these pressure stills. The connection between the refinery as it was completed and being operated at that time and the pressure stills was as follows. The refinery at that time was what is known as a topping or skimming plant. It produced gasoline, kerosene, fuel oil, and gas oil. The market for fuel oil and gas oil was not a profitable market, and the idea of building the cracking plant was to enable them to crack the fuel oil into a more profitable product, that is, gasoline. The fuel oil was produced in the refinery as a by-product of crude oil. Then it was charged in the pressure stills. So the crude oil did not go directly into the pressure stills.

The investigation for the Shaffer was conducted by Mr. Moore, and I know I had something to do with it, and no doubt Majewski, I am not sure about that. Mr. Osthoff, for Standard. In fact, there was a question at that time as to what sort of a cracking process should be installed. I don't recall that the matter was ever laid before the directors of the Shaffer. The Shaffer had the title to the property on which the refinery was located. The title to the property where the pressure stills were built was in the Shaffer before the pressure stills were built. At or about the time of the construction of the pressure stills, the title to the property on which they were built was transferred from the Shaffer to R. J. Graf, trustee. The reason why the contract for the construction of these pressure stills was made in the name of R. J. Graf, trustee, was that the Shaffer's credit was such that we could not have made a contract ourselves. I don't recall that we tried to. I know that we owed a lot of money at that time, both to the banks and supply companies. I don't know for whom Mr. Graf was trustee in the contract. Mr. Graf stated he was trustee for Standard in his testimony. I don't know that the Universal Company would have constructed these stills, reserving title in it until paid for, under a contract with the Shaffer. The Shaffer paid the six hundred some odd thousand dollars which was expended in the construction of these stills. No part of that money was paid by R. J. Graf, trustee. Stand-

ard had made advances during that period, but on an open account, which no doubt provided the funds for the payment of this. But those were funds which the Shaffer Company received from the Standard, and for which it was liable to Standard, just as any other money that they borrowed from Standard from time to time. Between the time of the completion of these pressure stills and the time that the title was taken in the name of the Refining Company, our refinery operating superintendent, Mr. W. E. Moody operated the pressure stills. The Shaffer received the profits from their operations. None of those profits went to R. J. Graf, trustee. Those stills were operated by the Shaffer Company the same as if they had been the property of the Shaffer Company. The account which related to the four pressure stills was carried on our books in the name of R. J. Graf, trustee, and the cost of the pressure stills was charged to R. J. Graf, trustee. I don't think any interest was charged on that account against R. J. Graf, trustee.

Q. What was the amount of the R. J. Graf, trustee, account at the time title to the property was put in the Refining Company? A. $861,297.79.

Q. By what authority was that money expended for the account of R. J. Graf, trustee? A. I couldn't answer that right now.

Q. Was the expenditure of that money ever authorized at any meeting of the board of directors of the Shaffer? A. I don't know.

Q. From whom did you receive directions as to the manner of opening and handling of the account with R. J. Graf, trustee? A. I would assume from Mr. Brahney.

Q. Was Mr. Brahney the auditor of the Standard Company at that time? A. The general auditor, yes, sir.

Q. What, if any, entry was made on the books at or about the time of the transfer of the account from R. J. Graf, trustee, and J. C. Kennedy, trustee, to Standard? A. On October 1, 1925, the amount advanced by Deep Rock and charged to J. C. Kennedy, trustee, and R. J. Graf, trustee, of $1,894,592.11 was transferred to Standard.

Q. Who made that transfer? A. You mean the actual entry?

Q. Yes. A. Mr. Kerr.

Q. On whose authority was that transfer made? A. I think Mr. Brahney.

I recall the leasing of the pressure stills and the Bradstreet properties by the Shaffer from the Refining Company. I don't know whether the board of directors of the Shaffer ever authorized the execution of the lease executed on October 1, 1925.

("Receiver's Exhibit Jay" is the lease of the pressure stills and the Bradstreet properties from the Refining Company to the Shaffer, dated October 1, 1925.)

Trustee's Exhibit XX is a photostatic copy of a letter from Mr. Brahney to me, enclosing the contract of lease which has been identified as Receiver's Exhibit Jay. I received that letter.

Mr. Martin: I will read it into the record, because it is very short.

Trustee's Exhibit XX.

"Byllesby Engineering and Management Corporation, 231 S. LaSalle Street, Chicago.

March 19, 1926

"Mr. W. R. Francisco, Treasurer, Shaffer Oil and Refining Company, Tulsa, Oklahoma.

"Dear Sir: We are enclosing herewith two copies of agreements between Deep Rock Oil and Refining Company and Shaffer Oil and Refming Company Dated October 1, 1925, covering lease of property. Please have signatures of Mr. Gray as president and yourself as secretary of Deep Rock Oil and Refining Company affixed to these agreements, returning the originals to us and keeping the duplicates for your files.

"Yours very truly,

B. F. BRAHNEY, General Auditor."

This lease contract dated October 1, 1925, was executed in accordance with the letter from Mr. Brahney. The actual date of execution of the lease was several months subsequent to the date of the lease contract itself.

William R. Francisco, on Redirect Examination by Mr. Gibson, testified:

Through the services rendered by the Management Corporation, we were given the advantage of national user's and quantity discounts in connection with the purchase of automobiles and trucks, automobile tires and tubes, electrical equipment, office supplies, or office equipment, and material used in oil wells, such as casing and tubing and so on. Pipe for pipe lines was bought through the purchasing agent here in Chicago of the Standard. We also had the advantage of conferences with the officials in Chicago as regards to finances and operation of the company.

The three notes which were given by the Shaffer as a part of the purchase price of the Bradstreet property were paid by the Shaffer. The amount of those notes was charged by the Shaffer to Standard in March, 1923. That charge was against an amount which the Shaffer at that time owed to Standard, reducing the indebtedness of the Shaffer to Standard by that amount. The same thing was done with regard to the $1,894,592.11 covering the account of Graf and Kennedy as trustees. We owed Standard at that time an amount in excess of that amount. I testified that approximately $1,033,-294.32 was expended by Shaffer on the Bradstreet properties. Part of that was expended for the purchase of properties in addition to the property which had originally been bought from Bradstreet. That expenditure represents the disbursements made by the Shaffer during the period between the purchase of this property from Bradstreet and the time that the accounts were adjusted, I might call it, under the direction of Mr. Brahney's letter, when title passed to the Standard for this stock. The amount of earnings received by the Shaffer from the purchase of the Bradstreet property until the transfer of it in 1925, before deductions for retirements was $789,-649.19; after retirements, $659,879.10. By retirement I mean dry-hole drilling and surrender of leases. That was never repaid by Shaffer to anyone.

Q. Well, now, the $1,033,000 was refunded to the Shaffer, was it not? A. We charged it to Standard, yes, sir.

Q. And it would be a credit for you? A. Yes, sir.

Q. Did the Standard ever charge the $789,000 or receipts against the Shaffer? A. No, sir.

I think the Shaffer profited by that transaction to that extent. For the amounts of property abandoned and charged

off did not affect the Shaffer accounts at all, that is, the Shaffer lost nothing by assuming that it did not own the property.

Q. And it did receive repayment from Standard for all the sums of money that it had expended in regard to this property, either for purchase, development, or operation? A. Yes, sir.

Q. I wish you would refer to Trustee's Exhibit "Eye," which is the letter of December 22, 1925, from Mr. Brahney to Mr. Kerr, the auditor of Shaffer, and I ask you to state, in short, whether or not the effect of that series of entries as provided for there was to take the ownership of the stock and all cost of the investment out of the Shaffer picture, and put it into the Standard picture. A. That is as I understand it, yes, sir.

Q. And Standard had, in reality, advanced to the Shaffer during the time of the purchase and development of this property sums of money equal to or in excess of the amounts which had actually been disbursed through Shaffer? A. Yes, sir.

Mr. Ramsey: What do you mean by "Disbursed through Shaffer?"

Mr. Gibson: Shaffer, for the purchase price of this property, for its increase in its list of properties purchased for the development of the property, and for all expenditures in connection with it.

Q. That left the Shaffer, then, with the profit which had been earned by the operation of this property, and without any disbursement on account of its purchase at all, did it not? A. Yes, sir.

William R. Francisco, on Recross Examination by Mr. Ramsey, testified:

That figure of $1,894,592.11 I had here was transferred from the trustee account to the Standard. That was not money that the Shaffer had expended in connection with Bradstreet properties and the cracking plant. That was the money that the Standard gave Shaffer credit for.

Q. Now, I am referring to the Management Corporation, I am going to speak of it as the Management Company. You say that through the Management Company, the Shaffer got the benefit of the national discount. What is that? A. Well, before the N. R. A. started, companies that had a large

purchasing power were given a preference, with a further discount on purchases, over companies who did not have a larger purchasing power, and, by reason of our affiliation with the Standard and H. M. Byllesby and the other Byllesby company, we were entitled to the national users discounts.

Q. Who negotiated those purchases you talk about, that is, automobiles, piping, tubing, oil well supplies, and things that you have mentioned? A. Since 1925, those purchases were made by Mr. R. G. Martin of Tulsa, under my supervision.

Q. Mr. Martin is not an officer or agent of theManagement Company? A. No, sir. Mr. Martin is the purchasing agent of Deep Rock.

Included in these management and supervision charges of the Management Corporation was advice on financial matters rendered to the Shaffer Company. Mr. O'Brien and Mr. Graf rendered that financial advice. Both of them were directors of the Standard Company. Mr. O'Brien was president of the Standard and the Shaffer.

Q. Well, when you came up here to consult Mr. O'Brien, did he announce "I am now speaking for the Engineering and Management Company in respect to advice," or just advise them as president of the Standard, or the Shaffer Company? A. He made no announcement.

Amasa C. Bull was called as a witness on behalf of the Claimant, and on direct examination by Mr. Gibson, testified:

I live in a suburb of Chicago. I have been connected with the Management Corporation. In 1917, I went into the purchasing department, and have been there ever since. My title is purchasing engineer. I supervise the purchasing that is done here in Chicago for the Standard subsidiaries. The Standard subsidiaries together have a normal purchasing power of roughly 45 million dollars a year. Wherever any of these purchases can be centralized to advantage, so as to save money for the individual properties, why we proceed to centralize them. From the years 1922 to 1933, inclusive, our department placed orders amounting to $1,119,713. That was for 360 orders. Those are the orders, I might add, that were placed directly by the Chicago purchasing department. That does not include the orders that were placed against our gen-

eral contracts. I have no information as to how many orders were placed for the Shaffer against our general contracts. We recently completed a study of the purchases made by the various members against these contracts for the years 1927 to '31, inclusive. In checking the reports that we would receive from the manufacturers covering the earnings on these contracts, we find that the oil company made total purchases amounting to $173,374 against those contracts. The total amount saved for the Shaffer by reason of the quantity discount contracts through which those commodities were purchased was $11,669, or seven per cent of the net purchase price. That was for five years. Assuming that the same relative rate of purchase applied for the entire period from 1922 to '33, inclusive, my estimate of the total purchases of the Shaffer would probably average $30,000 a year, or roughly $350,000 for the total period, and, under the seven per cent saving by reason of the quantity contract, quantity purchases, the saving would be roughly around $25,000.00. We had contracts with automobile companies also. Of course, on all of these commodities that we ordered, we followed up the shipments from the time the order was originally placed, and traced them, saw that everything was delivered properly at the local property. Whenever any material did not show up promptly, we immediately started tracing the property with the manufacturer, and rendered all that service. We were also called on at numerous times by the oil company to render them assistance in putting them in touch with large buyers of oil products. We have written innumerable letters to other companies, and many times have been able to obtain an entree for the oil company to large buyers of their commodities that they had not been able to obtain any other way. During the time previous to February, 1933, the department consisted of the purchasing engineer, myself, four assistant buyers, and a clerical force. At the maximum we had eighteen. Right now we are down to ten. We were all on the payroll of the Management Corporation. Our offices were maintained at 231 So. LaSalle Street up until two years ago, and at that time we moved to the Ashland Block, which is the same building Deep Rock have their offices in. Their offices are there now. When we were in this building, the number of employes of the Management Corporation altogether would be around 450.

Amasa C. Bull, on cross examination by Mr. Ramsey, testified:

I don't know who owns the building in which the Deep Rock Oil Corporation has its offices now and has had offices for the last two years. I don't know the owner of the building that the Management Company has its offices in. I don't know who we rent from. That figure I gave of $1,119,713, composed of 360 orders made for the Shaffer, I made that up,—well it was made up yesterday morning.

Q. When did you get the figures of $173,374 total purchases made direct by the Shaffer? A. Those figures were made up yesterday morning.

We combined the purchases on behalf of all the subsidiary and operating companies of the Standard or the Byllesby people.

M. A. Morrison, called as a witness on behalf of the Claimant, on direct examination by Mr. Gibson, testified:

I live in Chicago. I am secretary and treasurer of Standard. I am vice president and treasurer of the Management Corporation. I have been connected with these organizations since their organization, the Standard in 1910, the Byllesby Engineering in 1919. Previous to that time I was connected with H. M. Byllesby & Company. The Management Corporation's services to the Shaffer, particularly as it comes under my jurisdiction, has consisted generally of sending out of dividend checks, annual reports, notices of annual meetings, consisting of proxies and notices; the examination of ownership certificates that are presented with the payment of each semi-annual coupon, and, generally speaking, fiscal work of that character, stock transfers. The Management Corporation has acted as transfer agent for both common and preferred stock. About thirty-six quarterly dividends were paid on preferred stock, and three on common. The first preferred dividend was on October 25, 1919, and the last on January 24, 1931. In making the payment of dividends the stock transfer department would prepare a list of the stockholders who were entitled to receive the dividends. This was forwarded to the dividend paying department, which made computation of the amount due each stockholder, and when that list was completed, the checks were run through a machine which we have had specially built for our purpose, and subsequently the checks were put in an envelope and put in the mails for distribution. In the meantime the bookkeeping department would verify the

amount of money due on each particular quarterly dividend, and transmit that amount of funds either by cashier's check or wire to the Guaranty Trust Company of New York, which was the disbursing agent. In sending out dividends, a check would be sent to the bank in New York. It might be Standard's check, or Deep Rock's check. But in any event, it was sent to the Guaranty Trust Company of New York, to be credited to the account of the Shaffer preferred stock dividend account, and all checks drawn against that account were the Shaffer or Deep Rock, as the case may be, checks signed by one of the assistant officers in Chicago. Those dividends were ordinarily $1.75 for each share, or $7.00 a year. The checks were returned to us, and verified against the stockholders' list, which was kept in this office, so that any checks that were mislaid or stolen, or lost, might be accounted for if claim was made for them. In connection with the payment of this dividend, no charges were made against the Shaffer by the Management Corporation. That service was included in the service for which bills had been rendered, and which is mentioned in this account that is sued on here. We also kept a stock register. The number of preferred stockholders generally ran about 1200 to 1500 accounts a year, each year. There was no specific charge ever made against the Shaffer by our company for its services as transfer agent or for keeping the stock register. The customary charges which are usually made by so called trust companies or transfer agents in Chicago and other large cities for the keeping of stock registers, a list of stockholders, and for transferring stock depends upon the number of stockholders. The minimum charge is $500 per annum, which provides for the issuance of 500 certificates and the maintaining of 500 accounts per annum. For maintaining the additional accounts, there is a charge of fifty cents for each account per annum. For furnishing reports of daily transfers to co-transfer agents, there is a charge of $200 per annum. And each transfer agent charges for the posting of a stock certificate issued by a co-transfer agent at the rate of ten cents per certificate. Also there is a charge made by the trust companies for stockholders' lists at the rate of $25 per 1000 names. The transfer charge is included in the memorandum I just read, the $500 they charge per annum provides for the issuance of 500 certificates, and then all over that up to a certain number they charge fifty cents each. The charge made by the banks where they, as they sometimes do, handle the

dividend checks, for which they are transfer agents, is, I think, at the present time 12½ cents a check. At one time here a few years ago it was 20 cents a check. Based on that figure of 12½ cents a check, the dividend checks we have sent out for which we have made no charge to the Shaffer would have cost them $17,200. That is the total.

M. A. Morrison, on cross-examination by Mr. Ramsey, testified:

Two dividends were paid in 1926, $87,500 each. Those dividends were deposited in the Guaranty Trust Company, New York. I think Standard probably made the deposit. The employees of the Management Corporation drew the checks on the New York bank, payable to the stockholders. The shield at the right hand corner of the dividend checks, in sort of a half egg shape, has printed on there "Byllesby, pioneers in public service—engineering—finance management." Generally speaking, all of those funds for dividends were deposited by Standard and charged to the Deep Rock by Standard.

G. T. Cross, called as a witness on behalf of the Claimant, on direct examination by Mr. Gibson, testified:

I live in Chicago. I am a public accountant with Haskins & Sells, international accounting firm. Haskins & Sells has done auditing work for Standard. During the year 1933, my firm audited the account of Standard showing or reflecting upon its books its account with the Shaffer, now known as Deep Rock. I have caused to be made up under my direction a statement of the result of my audit of that account for the period from June 1, 1919, to February 28, 1933, inclusive. That is the statement which is attached as Exhibit A to the claim that was filed by Standard in this case. Mr. McCune is employed by Peat, Marwick & Mitchell. They have audited the books of Deep Rock in connection with this same account. Mr. McCune and I have heretofore compared my audit of the account of the books of Standard with his audit of the same account on the books of the Deep Rock. That was done on May 25, 1934. The net balance in the accounts agreed, but there was a little difference in handling the accounts. On Deep Rock they handled several items as an out and out cash transaction, and did not run it through the open account. That is about the only difference, and there was not any real important difference at all in

the two analyses. My account and his agree as to the apparent balance due Standard upon this Deep Rock account as shown on both books.

G. T. Cross, on cross-examination by Mr. Ramsey, testified:

The item on our statement, "dividends on preferred stock held by public, $2,542,519" is shown by the books of Standard. Standard deposited that amount of dividend for payment to preferred stockholders, and charged it to the Deep Rock. Some of those dividends may have been reimbursed. There is an item on page 1 of Exhibit A, being next to the last item, in the sum of $1,555,981 entitled "Income from Standard Gas and Electric Company dividends on preferred stock of Deep Rock Oil Corporation." That represents dividends which Standard was entitled to from Deep Rock, and which they might have received in cash, or which they charged the open account with. Standard was entitled to $1,555,981 as a preferred stockholder of the Deep Rock, but the Deep Rock never paid the Standard that sum of money as dividends, not in cash. It was just charged by the Standard to the Deep Rock. And the Standard, in addition to charging that $1,555,981 to the Deep Rock paid preferred stockholders of the Deep Rock other than the Standard $2,542,519. The same thing is true with regard to the Standard dividends on common stock listed on the first page of Exhibit A. On the last page of Exhibit A under the head of "Credits" there appears an item entitled "Reimbursement for advance for dividends on preferred stock $927,500."

Q. Now, what year did the Standard pay out to the preferred stockholders the $2,542,519 and charge it to the Deep Rock's account, and what year did the Deep Rock reimburse the Standard $927,500 for dividends advanced? A. The Standard paid out dividends in 1931, '30, '29, '28, '27 and '26, and they received cash for dividends paid out in the years 1930, '29, '28, '27 and '26.

Those amounts received back in 1930, '29, '28 and '27 are items on the last page of Exhibit A. On the last page of Exhibit A, the item of $9,395,151.80 is the proceeds of the sale of the $10,000,000 March 1, 1928, six per cent notes of the Shaffer. The Standard books show that Standard took possession of the proceeds of the sale of the ten million March 1, 1928, notes of the Shaffer. But at the same time they had to put up a

certain other sum for the redemption of other bonds. The books of the Standard show that Standard credited the proceeds of the ten million March 1, 1928, notes of the Shaffer to the Deep Rock account. After Standard credited it, it probably went through Standard's bank account.

The Standard's books disclose that it held $4,250,000 of the Shaffer's Company's five year six per cent gold notes due in 1931. Those notes were paid for by credit to the open account in the amount of $4,080,000. In other words, the Standard purchased $4,250,000 of notes for $4,080,000. The Shaffer redeemed those notes in 1928 for $4,250,000, redeemed them at par.

The $7,500,000 of the Shaffer's six per cent gold notes, due in 1928, two year notes, those notes were sold to Standard. I don't know offhand what Standard did with them, unless they were sold to the public. On the second page of this same Exhibit A to the Standard's petition in intervention is a charge item against the Shaffer of $230,483.16, entitled "Byllesby Engineering and Management Corporation, sundry charges." The Standard's books show what those charges were composed of. Exhibit A does not disclose what they were composed of. It covers a multitude of small general items like maybe advance salaries, or rentals paid, or something along that line, which, for convenience, Standard paid.

Charles E. McCune, called as a witness on behalf of the claimant, on direct examination by Mr. Gibson, testified:

I am a certified public accountant, and have been with Peat, Marwick, Mitchell & Company since January 1, 1922. Our firm has been doing the auditing work for Deep Rock since its organization; for the Shaffer. The first audit that I made of the books was for the calendar year ended December 31, 1926, and I have continued to audit their books from time to time since then. I have done a special commission in regard to the account of Standard as reflected on the books of the Deep Rock. I agree with Mr. Cross that the result of the balance as shown in the two accounts agree. There are certain minor differences in *in* detail as to the manner of accounting, but the resulting balances are the same.

B. W. Lynch, called as a witness on behalf of the claimant, on direct examination by Mr. Gibson, testified:

I live in Chicago. I am vice president, director, and chairman of the finance committee of the Standard. I am vice president and director of the Management Corporation. I have been connected with the Standard since its incorporation in 1910. Previous to that time I was connected with H. M. Byllesby & Company. At the time of the acquisition of the Shaffer properties in 1919 I was present at practically every conference in connection with their acquisition. That embraced the dealings with Mr. Shaffer, his experts, engineers, accountants, lawyers, the formation of the contract, the execution of the contract. At the time it was purchased, I organized the financial and accounting department through the employment of Mr. W. R. Francisco to be my field representative similarly as we have such a representative for our other public utility operated properties. Since that time, and down to the date of the receivership, the contact of our Chicago organization, that is, the financial and accounting, of which I am the nominal head, and which is directly supervised by Mr. B. F. Braheney, we have been in what we call daily touch with all of the affairs of the Shaffer as they affected the financial and accounting department.

Q. During the years from the purchase of that property in 1919 until after the election of Mr. Gray and the removal of the offices of the Shaffer to Tulsa, what was your custom with regard to conferences with the officers of that company, in regard to their business problems? A. About once a month when Mr. Gray and his officers which included Mr. W. R. Francisco, came to Chicago for their operating conferences with the operating officials of the Management Corporation, immediately after such meetings Mr. Gray and Mr. Francisco would come into my office. The three of us would sit down and go over everything of moment affecting my part of the work, and then Mr. Francisco would usually stay that afternoon, sometimes the next day, going into the details, checking up on his field work, because his being at Tulsa made no difference to us on our contact. We had to keep in touch with him as directly as if he were here in Chicago, as previous to that.

Q. Well, before the removal of the officers to Tulsa, what was your custom in regard to conferences with the officers in charge of the Shaffer? A. Well, my contact at that time

would be again what I would term daily conferences. That would not necessarily mean that I would go over there every day, but I would go over there enough times that I would know what was going on daily.

I have had a lot of personal experiences in the oil business. In 1916 H. M. Byllesby & Company had an investment in oil property around Cleveland, Oklahoma, which was entirely productive. I was on that property, even out at the wells when they were brought in. I organized the accounting and general administrative offices. This was followed by similar ventures in the States of New Mexico and Kansas. Those ventures had ceased at the time of the purchase of the Shaffer property in 1919. I have not covered my personal experiences, because I have drilled an awful lot of wells, good and bad. I am still in the oil business, as far as that is concerned, personally.

I have mentioned that when we acquired the oil property in 1919, I looked around for a man to handle the financial and accounting, namely, Mr. Francisco. That same principle obtained with reference to the management at that time, it was absolutely essential to give the management of Shaffer equally expert services as we had our public utility properties, for the reason that Standard had a large investment in this property, it would be regarded as a part of the system, that is, the Standard system, and its successful operation would be reflected in the Standard system, and it was absolutely necessary for us to provide full and complete expert management. In fact, that was one of the conditions surrounding the financing of the property, that we would have oil experts therein.

I remember the circumstance of the employment of Mr. Gray. His employment was a matter of organization. Our organization, looking around, considered many men, and from the applications, conferences and recommendations, Mr. Gray was selected. He had a very enviable record as an expert in the oil business.

Our organization, that is, the Management Corporation, is equipped to give expert advice on operating, administrative and financial affairs. This organization is equipped to render this service to public utility corporations, and to a large measure even an oil organization. However, I could say in an oil organization that part of our expert services which would be

rendered to utilities similar to the operation of a power house, which I would compare to the operation of a refinery, would not be as embracive in our services. However, with that single exception, the experience of the men in the Management Corporation would be complete. That is, first, not necessarily in their order, financial contacts, which also brings sales contacts for the refined products. Supervisory service with respect to any decision which would go into the necessary detail of why money should be invested. That is, we would go into it through our own organization, if they were to spend the money on these budgets, as I have heard some of the officers testify here in the past few days, that estimate would be checked up thoroughly in our own organization, we would even check with outsiders in regard to it.

I, personally, when the budget would come up for approval, would take in the idea of what the Shaffer was doing at the time into the financial institution in New York and Chicago, and ask the men in affairs where they were lending money, what others were doing, how they were viewing it, so that when the investment was made for the company, and usually provided by Standard, we would have those complete details. The fiscal services rendered to the Shaffer were as complete as any such fiscal services, as they are known, that could be rendered by any organization embracing the keeping of stock records, dividend payments, etcetera. During the time that this service was being rendered, the Management Corporation held itself in constant readiness to render any service within its power called for by Shaffer. The entire services of the Management Company, not only in its own offices, but even extending to others which it could command, were available at all times. It was almost like buying an automobile. You say, "Why do you need a couple of spare tires"? Well, when they needed them, they came in very handy. To put a value on a professional service at the time it is rendered is almost impossible, because the constant touch of that property to be ready to serve them in that capacity, is not possible to record.

As to the fees paid to the Management Corporation for services to the Shaffer, I remember very well when John Gray came in as manager of the properties, we discussed the supervisory services of the Management Corporation. I had that particularly in mind, so that everything would work smoothly at the properties, because in one branch alone, the financial and

accounting, we would contact directly with Mr. Francisco, so that he, in turn, would take it up directly with Mr. Gray, and we would not be obliged to bother Mr. Gray in all these details. Gray and I at that time at or around December 31, 1926, figured that about a $200,000 a year fee would be about the proper charge, to which Mr. Gray readily agreed.

Before the close of the year, I would usually get in contact with Francisco, and ask him to take it up with Mr. Gray in Tulsa, to find out the nature of that charge for the year. Some years it would be found that the earnings would be small, and I distinctly recall John Gray several times saying, "Well, now, I know these services are worth two hundred thousand, but you have got to cut it down to a hundred thousand this year." The reason we would go into that so thoroughly, and why I can remember it, is that John Gray and other officers at Tulsa were, in effect, stockholders, because they were participating in a profit-sharing plan, and a charge of this kind would be something that John Gray would pass on, as any other persons, whether it would be for crude oil, pipe, or other things. And it was thoroughly understood, in fact, it was the happiest arrangement that I can recall, and the pleasure of Gray and other officials down there with such services was always evident.

As to the charge of interest at the rate of seven per cent per annum on monthly balances, charged by Standard against the Shaffer, that was discussed with Mr. Francisco and in turn with Mr. Gray, and when he came to Chicago. I have explained to Mr. Gray and his officials time and time again that I considered it a magnanimous offer to advance money to the Shaffer at seven per cent, because the money to the Standard was costing more, at times a great deal more, and for them to have an open drawing account, similar to a bank institution, without any question of when it would be repaid, or when they would need it, I know very well that no other institution would have given it to them at seven per cent, nor would the Standard, unless it were a subsidiary which it wanted to serve.

There were three dividends on the common stock. The first dividend was declared, according to the record, on December 15, 1926, and payable January 25, 1927, $7.00 a share on the common stock. The second was declared December 31, 1928, a dollar and a half a share, payable in 1929. And the third declared February 24, 1930, a dollar seventy-five a share. That

followed the usual procedure of my contact with Francisco, who, in turn, would discuss it with Gray. The amount of earnings available for dividends were similar earnings as that available to the profit-sharing of the officers, therefore it must have been known to them, for the reason that Mr. Gray and his associates knew the amount that would be distributed to them in the profit-sharing plan. With such earnings available, naturally the question would arise as to the cash balance to pay such dividends. I do not recall in which years, without looking at the records, but I do know at some of those times the dividend, if paid, would require a further advance of similar or even larger amounts by Standard to carry on the ordinary operations of the company. Of course, this did not register very well with Mr. Gray and some of the other officials who had common stock, because they felt it was Standard's duty to advance the money, in which case we would pay the cash dividend, and such officials as Mr. Gray and others who held common stock would retain their part of the cash, but Standard would immediately advance at least that amount of money for the operation of the company. Their records, as reported by the officials of the company and the certified audits, showed that there were earned profits available for dividends in the capital and financial structure of Shaffer at the time of the declaration of these three dividends. Mr. Gray and Mr. Riddle and some of the other officers of the company were substantially on a profit-sharing basis. The substance of it was that when the company had a certain net earnings, a certain percentage of such earnings would be available as a profit-sharing plan, and distributed to them as we paid common dividends, so that, in effect, they were stockholders. The common stock which was listed in the names of W. R. Francisco, 1,182 shares; John L. Gray, 7,847 shares; R. K. Huey, 1,492 shares; B. L. Majewski, 1,492 shares; W. E. Moody, 1,492 shares; L. B. Riddle, 2,968 shares, generally all of that amount became due them through the profit-sharing plan. And dividends were paid on such parts of that stock as were outstanding at the time that these three dividends were declared. One of these dividends to common stockholders was immediately invested by Standard in common stock of the Shaffer at the time that the dividend was paid and the check received for it by Standard. That was in 1926 or '27. Well, the earnings of the company showed that amount available for common dividends, the budget of the company would show it needed cash requirements to carry on,

so that if the dividend were paid in cash, it would necessarily be immediately invested in the company, and instead of taking an open account, they took it in stock, to provide further equity. That was simply building up a financial structure to the best advantage.

There are in evidence for the rental of the so-called Bradstreet properties and the cracking plant at Cushing from 1925 to the date of receivership two contracts, one of 1925 for five years, and one beginning in 1930 for five years. The conference relative to the rental first came up in the Standard financial group as to the proper return of such an investment, and as I recall it now, it was in the neighborhood of about a twenty per cent return. Standard was not very happy, didn't want to make the investment at the time. I recall talking with John Gray, he said it was absolutely essential to carry on on that basis, and at the particular meeting where Mr. Gray approved or consented to the contract, I was not present. However, afterwards, following the usual procedure, Mr. Gray and I talked in my room, and he seemed delighted about it, as a man given a new automobile, or a toy, he was very happy about it, and thought it was a very good deal. That was continued in force and renewed in 1930. Included in the property which was leased under those two contracts was the producing oil property and other oil property, and the cracking plant at Cushing. The cracking plant was not mentioned in the list of properties which was included in the first lease, in the schedule attached to it, which was presumed or intended to cover all properties leased. It intended to lease to the Shaffer the cracking plant. It was not intended that Standard would own directly or operate any of those properties. It was all supposed to be part of the Deep Rock Oil and Refining operations, no exception whatever. Standard owns the stock of the Refining Company. Standard actually advanced the money with which these properties were purchased and erected.

Q. That was the ten million which matured in 1933? A. That is right.

Q. Which was practically due at the time of the receivership. A. Yes.

Q. Now, in the steps which were taken to float this issue of $10,000,000 of notes, state whether the Standard or the Management Corporation, either or both, took any part. A. What do you mean by "any part"?

Q. Whether or not they performed any services in connection with the issuance and sale of these notes.

In April, 1928, when the financing of the $10,000,000, five year, six per cent notes was contemplated, in my official capacity it was necessary for me to negotiate with the banks the probable sale of such notes. The balance sheet of the company reflected indebtedness to Standard, certain amounts of preferred and certain amounts of common. They did not present a picture wherein it would be possible to float or sell an issue of ten million of notes on Deep Rock or the Shaffer. The bankers would agree to the handling of that note issue only in consideration of Standard taking common stock for its open indebtedness, and also for the amount of preferred stock which it held at that time. The requirement was for the sale of the notes, the qualification of them under blue sky laws. It could not have been done if we had the interest charges embrace interest of open account other than these notes, and also if the common stock structure, or basement, as we call it, was not sufficiently large to support the preferred and notes that preceded it. That is proper, and also used as a measuring stick in a financial structure. At the time this transaction took place, the indebtedness of the Shaffer, on the 24th day of February, 1928, was $6,836,195.85. In addition to that $6,836,195.85, Standard also owned the promissory note of the Shaffer, or Deep Rock, in an amount of $4,250,000; the aggregate of these two figures being $11,086,195.85. That is the amount to which I refer when I say that the bankers required that Standard accept common stock for their accounts. The Standard surrendered its open account and received common stock, and also exchanged its preferred stock for common as a part of the same transaction, and also exchanged its $4,250,000.00 of notes and 40,000 shares of Class A stock for common stock. (Claimant's Exhibits 9 and 10 were admitted in evidence. They consisted of Minutes of Board of Directors meeting of Standard and Deep Rock on April 4, 1928, and April 11, 1928, respectively. They show the nature of the change in the relationship of Standard to Deep Rock.) That settlement was carried through. After the 11th day of April, 1928, the common stock was issued to Standard for its account and for the note held by it, and its preferred and Class A were exchanged for common. At the conclusion of that transaction, Standard held nothing but the common stock, except there was a small balance of a few thousand dollars on the open account which it was

not possible to bring down to the last cent in the issuance of common stock. Such balance was very small. At the time of the acceptance of this common stock in exchange for its account, and the note for $4,250,000 held by Standard, this new common stock issued to Standard had a market value, but it would be hard to determine. It was accepted in satisfaction of this account at $50 a share. The price of the stock was arrived at *at* $50 by reason of the preferred stock at that time being convertible on the basis of $100 par value preferred stock into two shares of common stock. Standard owned all the common stock, with the exception of a few shares held by the officials, or the public, a very small amount. It was immaterial to Standard whether they had ten shares of stock or one hundred shares of stock, so far as relative value was concerned, but in fair dealing to the preferred shareholders, and as a proper presentation of a financial structure, it was deemed advisable that there should be no dilution of the value of the preferred stock then held by the public by taking away stock at a price below that into which the common stock would be convertible for the preferred stock, as sound financial practice. That stock, in my opinion, from my familiarity with the financial affairs of Deep Rock at that time, could not have been sold to the public at $50 a share. I would not want to even hazard a guess at what it could be sold for. In my opinion, it could not have been sold at all, no one would have handled the offering unless you wanted to give it such a ridiculous value as $1 a share, or something like that. There was no market for that stock. The Management Corporation stood ready to furnish men to fill vacancies or perform certain services for Deep Rock at all times. One of the objectives of the services of the Management Corporation is to have men in the employ of the Management Corporation who could, at a moment's notice, fill any executive capacity of Deep Rock. In that respect we take, for instance, Mr. Francisco: If anything happened to him, within 24 hours we could have a man available as fully conversant with the affairs of Deep Rock to fill his position. In fact, we could send two men, if necessary, to do it. That applied to the accounting department in every respect. The familiarity of Mr. O'Brien and Mr. Graf, particularly, with respect to the executive, would apply the same way.

B. W. Lynch, on cross-examination by Mr. Ramsey, testified:

When the Shaffer was organized in 1919, the contract be-

tween H. M. Byllesby & Company and C. B. Shaffer contemplated a sale of fifteen million of first mortgage bonds of the Shaffer. Twelve million of these bonds were sold to the public. The unissued three million of bonds were not sold to the public. They were later pledged to secure a Shaffer note issue for, I think, two million. They were pledged, as I recall it, at 66⅔ per cent. The two million dollar note issue for which the bonds were pledged was sold to the public. There was a note issue of $7,500,000 two year gold notes due in 1928. Neither the Standard nor H. M. Byllesby & Company, nor any of the associated corporations of H. M. Byllesby & Company guaranteed this payment. They were sold to the public.

Mr. R. J. Graf first contacted John L. Gray with a view to taking him into the organization. The Management Corporation finally decided, the officials did, that Mr. Gray was the best man available, and upon the findings of the officials of the Management Corporation, Mr. Gray was elected as vice president and manager of the Shaffer.

This profit charging common stock was issued as follows: As of 1925, say December 31st, perhaps issued in a month or two after, to a group of Gray, Riddle, Moody, Majewski, Huey, Francisco, Kennedy, 8464 shares. As of 1926, perhaps December 31st, issued a little later, to the same group, 9088 shares. And as of December 31st, 1928, again perhaps a little later than that date, to the same group, including, however, A. L. Dade, and excluding Kennedy, a total of 250 shares.

Q. You have been a member of the Board of Directors of Shaffer Oil and Refining Company since its organization, haven't you? A. I will have to check it. I think I have.

Q. Will you make a note of that? A. Yes.

This $4,250,000 of five year notes, or note, due in 1931, is sometimes referred to as "notes," and sometimes as "note." It is a note payable to Standard, issued for cash advance by Standard to the Shaffer. In other words, it was to be credited on an open account of the Standard against the Shaffer. At or around December 31, 1926, Gray agreed to a $200,000.00 annual management charge, to be paid by Shaffer to the Management Corporation. The issuance of the $10,000,000.00 of notes, due March 1, 1933, was discussed during five or six months approaching the maturity. It was discussed in Chicago by myself, Mr. O'Brien, Mr. Morrison and other officials

of the Standard, but principally with the bank group and investment houses in the East preparatory to a maturity.

In 1928 there was outstanding and unpaid $1,843,700 of first mortgage bonds of the Shaffer. In this regard, Standard deposited on April 12, 1928, for the credit of the Shaffer with the Continental National Bank & Trust Company a total amount of $1,922,110.23 which was to cover the principal amount of the notes, with premium and interest, and the bank's fees to retire the $1,843,700 principal amount of notes. In the account shown by Exhibit A to the Standard's petition in intervention in this cause, there is a credit of $9,395,151.80 entitled Proceeds from sale of $10,000,000 face value 1933 notes. There was difference between the $9,395,151.80 and the $10,000,000 face value of notes, except that recorded for the discount and expenses between the face value and the proceeds, that amount being treated as an unamortized debt discount and expense of the Shaffer. The notes were sold at 93½. In the claim filed by Standard in this case it is alleged that Standard, in the year 1932, paid H. M. Byllesby & Company, as compensation for services in procuring the deposit of the Shaffer six per cent 1933 notes, deposited under an extension agreement, the sum of $143,425.00. This was to compensate H. M. Byllesby & Company for the services of their organization, including salesmen, perhaps a hundred to a hundred and fifty of them, going out to the holders of the notes which were maturing March 1, 1933, and asking them to extend them for two years. This service was not rendered by the Management Corporation because it had no service to deal as investment bankers.

If Mr. Francisco should suddenly drop out of the Deep Rock organization, the engineering and management corporation could supply his place immediately. That is because of the familiarity of the accounting officials at Chicago, being in constant touch with his affairs at Tulsa.

The operating officials of the Deep Rock, or the operating officials of the Management Corporation discussed the Bradstreet properties preceding their acquisition. It was determined to acquire the Bradstreet properties for the expansion and operation of the Shaffer. They were acquired not directly for the Shaffer, but to be considered as a part of its operations. The Bradstreet properties were carried in the name of J. C. Kennedy, trustee. J. C. Kennedy was trustee

for Standard. They were carried in his name up to the time they were transferred to the Refining Company.

Q. Why were titles to the properties not transferred from J. C. Kennedy, trustee, to the Refining Company at the time of its organization in February of 1923 A. The advance of the money at that time was conditioned upon the possibility of financing it publicly, and inasmuch as the lien on the bonds then outstanding would extend to all property, it was carried in that vehicle to make it possible for future financing, whether it was as a separate note issue, or perhaps a combination of the bonds then outstanding, namely, the mortgage bonds.

Q. The Refining Company had no outstanding bond issue, had it? A. No, Sir. The Shaffer which I identify as Deep Rock.

Q. It had an outstanding bond issue. A. Yes, sir.

Q. But the Refining Company did not. A. That's right.

Q. There wasn't any reason, then, so far as coming under any mortgages was concerned, why these properties should not immediately have been transferred to the Refining Company on the date of its acquisition in 1923? A. No, except that necessarily they could have been carried as the trustee account, and maybe never need the offices of the Deep Rock Refining Company for the financing.

During the period of 1923 to 1925, the proceeds from the sale of oil and gas produced from the Bradstreet properties went entirely to the Shaffer. And the properties were operated by the Shaffer Company. They were treated in every way identically the same as the other producing properties of the Shaffer Company, except as to ownership and record title. And the Shaffer paid the cost of operation, and paid the cost of development. It did not charge J. C. Kennedy, trustee, or the Standard any interest on the money advanced for those purposes.

Q. Now, Mr. Lynch, the cost of the properties was charged to J. C. Kennedy, trustee, wasn't it, on the books? A. Yes.

Q. And they kept a separate account of what it cost to develop the properties, operate them, and that was charged to J. C. Kennedy, wasn't it? A. The additional cost.

Q. But all of that was paid out of the funds of the Shaffer, isn't that true? A. Yes.

Q. You testified that you had some experience yourself in the oil business, is that true? A. Yes.

Q. Did you ever hear before of the renting of oil wells by one company to another? A. The renting?

Q. Yes, the renting oil wells to an oil company at a certain stipulated rental. A. Why, yes.

Q. Well, now, when did you ever hear of that? A. Well, in talking with men like Shaffer, they said it was a common practice to do most anything of that nature.

Q. Was that your understanding, that in Oklahoma, in the Midcontinent field, it is a common practice to rent oil wells? A. I don't know.

Q. Did you get that impression from Mr. Shaffer? A. I did; not only Midcontinent, but any place, the private deals that would be made with respect to the ownership and operation, he said they had no ethics or limitations.

Q. Outside of what Mr. Shaffer may have told you about the business, or ethics and limitations on these things, did you ever hear yourself of any company or corporation or individual ever renting an oil well, or any number of oil wells?

Mr. Ramsey: On a flat rate.

Mr. Martin: Q. Renting them at any rate.

A. Mr. Martin, I have been one of those individuals who believed in trying to go in syndicates for oil, and I have been in the type of deal time and time again where it would be almost impossible, sometimes, to identify the ownership, or where it was. I never saw such a complex dealing back and forth in leases owned by individuals, and I suppose it would apply to corporations, in the way they would operate, particularly as in the case of this one, where it was hard to get money by the corporation which needed it.

Q. You have heard of partnership operations of leases, I suppose? A. Yes.

Q. Where one partner would be the operating partner, and operate for the benefit of the partnership. A. Yes. The reason I answer that way, this money here was advanced by someone, and, like everyone going out to borrow money, the condition imposed was the answer. That has been my experience always.

Q. I was just wondering whether this contract was based

on any previous experience with any of the Byllesby interests. A. No.

Q. It was not? A. No.

Q. It was something new, as far as the Byllesby companies were concerned. A. That was the first time that the Standard or Byllesby Engineering had made such a contract.

Q. Whose idea was it to rent these wells at a fixed monthly rental? A. Just a combination of the thoughts of all, so as to give the proper return, and possibility of refunding the money advanced by the Standard, as we would sit in this room here now, and figure out some way we must raise this money, if we need it badly, and so forth. Suggestions would come from one to the other as to the best type of contract. The Standard directors naturally are in the same position as a bank would be in lending money. We go down to the banker, and he has the same conditions, of course, on that. There was no mystery about it at all, or anything like that. It was just an open *propostion,* that we have the stockholders of Standard, the public, there has to be an investment that we could justify for them.

Q. The Shaffer Company was publicly owned, wasn't it? A. Well, the public owned practically none of the common stock.

Q. But it owned practically all of the note issue, didn't it? A. Yes, to that extent. Some of the preferred.

Q. And some of the preferred? A. That's right.

Q. Now, you say that the Standard approached this subject just the same as a bank would if the bank were making a loan, and wanted to get its money back. A. Yes.

Q. And Standard wanted to devise some way to get its money back, is that right? A. Well, the Standard didn't want to devise it. It was buying a security which the officials of the Deep Rock were willing to sell on that basis. Using the word "devise", it was just simply the form of contract.

Mr. Ramsey: Q. When the Standard got back its money out of thi. monthly rental charges, then what did the Standard propose to do? A. With respect to what, Mr. Ramsey?

Q. The Refining Company's properties. A. Well, it was subject to the contract between the two parties, as to the interest of each, they had their respective positions.

The total expense to the Shaffer, on account of extension of

the $10,000,000 of notes due on March 1, 1933, was $312,780, of which $143,425 originated as a charge which Standard paid to Byllesby Company for the account of it. There was a remainder of cash paid by Deep Rock itself amounting to $169,355. My recollection would be that while it was paid to a group of bankers, maybe H. M. Byllesby & Company got a small portion of that cash also. In other words, the total outlay of the Deep Rock for securing an extension of some of these notes was $312,780, including the amount that Standard paid to Byllesby for the account of the Deep Rock.

George W. Knourek was called as a witness on behalf of the Claimant and on direct examination by Mr. Gibson, testified:

I live in Chicago. I am connected with Standard in the capacity of an accountant for the Management Corporation. As such, I render accounting services to Standard. Beside keeping the records of Standard I prepare the consolidated financial statements of the Standard system, and prepare monthly forecasts of cash earnings of the entire system, and various other analytical and statistical data for all of the companies with the system. In that capacity, I have performed service in connection with the Shaffer, or, as it is now known, the Deep Rock. I started in February, 1920, with the Shaffer and in the latter part of 1924 I was transferred to the Management Corporation. My services to the Shaffer Company were rendered in Chicago. After the removal of the office of that company to Tulsa, I went over with the Management Company. Mr. Braheney is my immediate superior. Referring to the account which is attached to the petition in intervention in this case, covering the period from June 1, 1919, to February 28, 1933, this account was actually made up by Haskins & Sells. I was in constant touch with the auditors representing Haskins & Sells in the preparation of this account. Since the preparation in the summer of 1933 of the account which is attached as Exhibit A of the petition for Intervention in this case, I have checked it against the records, and found it correctly portrays, except for some minor classifications of certain items, the entries upon the books of Standard showing its account as claimed against Deep Rock. The first item in the account, which appears on page 1 of the claim, under the head of "cash advances", is a total of $17,473,478.05.

This is the amount of cash advances to Deep Rock shown by the books of Standard to have been made by it.

There is an item here on the second page of Exhibit A to Standard's claim entitled "Deep Rock Oil and Refining Company—rentals, $4,525,000," composed of $100,000 for 1933, and then the years before that the amounts are named under the years. That was the rental that the Refining Company charged Deep Rock for the lease of the Bradstreet and cracking properties. The Shaffer paid some of those rentals. The Refining Company first charged Deep Rock for these rentals. Then Standard would assume this account from the Refining Company, and sometimes the Shaffer or Deep Rock remitted to Standard, which was in reality payment of the open account so assumed. The first item there under the total of $17,473,478.05 is composed of advances made during the years 1921 to 1930, inclusive. I have the details for this year 1921; that is $230,000.00. In January, 1921, we advanced $105,000.00 on account, and in December of the same year $125,000.00 on account. These advances were made by check. I have the checks. They are vouchers 4333 and 5179, and I here produce them. With this check for $125,000 is attached a memorandum "issue Standard check in favor of Shaffer Oil & Refining Company for $125,000 cash advanced." That is Mr. Morrison's signature on that memorandum. I don't know why these funds were requested or advanced or what was done with the money.

Mr. Gibson: Now, will you please produce vouchers making up the totals for the next year on which there is a charge, 1922, in which there appears to have been advanced $1,625,000? Do you have these, Mr. Knourek? A. Yes, sir. The total is $1,625,000.

The first of these (vouchers) appears to be for $75,000.00 payable to the Shaffer, marked "Paid", dated January 3, 1922, and deposited by the Shaffer, by Francisco, as Treasurer. This is money advanced.

Q. Check No. 1068 for $50,000, payable to H. M. Byllesby & Company, and endorsed by that company and paid, do you know the circumstances of that? A. Yes, sir. We reimbursed H. M. Byllesby & Company for an advance that they had made to the Shaffer.

Q. Assumed the account, and reimbursed Byllesby & Company. You charged it to Deep Rock? A. We charged it to Deep Rock open account, yes, sir.

Mr. Ramsey: Q. What was H. M. Byllesby & Company's account against the Deep Rock for?

Mr. Gibson: Money advanced.

A. H. M. Byllesby & Company advanced the money to the Shaffer, and we then, Standard, reimbursed H. M. Byllesby & Company for that advance.

The next check No. 1089, for $100,000.00, is for money advanced on account. There is no explanation of that except that it was money advanced. The next No. 1354, dated June 1, 1922, is for $500,000.00; that also is for money advanced on account. The next No. 1919, for $215,000.00, is also for money advanced on account, and is voucher No. 6152. The next one, voucher 6170, check No. 1937, dated December 11, 1922, is for $125,000.00, for cash on account. The next voucher 6171, check 4029, for $360,000.00, and marked "paid", is for cash on account. The next one, voucher 6196, check 1955, for $100,000.00, is for cash on account. The next voucher 6239, check 1998, for $100,000.00, dated December 29, 1922, is for cash advanced on account. These all represent advances of money by Standard to or for Deep Rock during that year. All these checks and vouchers that I have just identified, issued by the Standard to the Shaffer in 1922, I imagine were deposited to the Shaffer's account in Chicago banks. I can't say for sure. Checks were issued in their favor, and they deposited them. I imagine it was to their Chicago accounts. These checks appear to have been entered here, deposited here in Chicago, all of them except this one in favor of H. M. Byllesby & Company. The Shaffer paid to Standard on account during 1922, $200,000.00, $100,000.00 in June, and $100,000.00 in July. There was nothing paid in 1920 or 1921. The last page of the account correctly recites the amount of the total credits of Standard books in the Shaffer's open account; total for each year, dated December 31.

Mr. Gibson: Q. Now, let's go back to the first page of the Exhibit again. The second item is $3,096,360, representing interest on funded debt, and composed of items beginning with the year 1924, and ending with 1931, omitting, however, any payment in 1928. Have you the details of those payments? A. Yes, sir.

Q. Will you please produce same, beginning with the earliest payment in 1924, $224,580. Let's see how that was paid.

A. On November 28, 1924, Standard deposited with the Continental & Commercial Trust & Savings Bank $225,366.03 in payment of semi-annual interest on the Shaffer first mortgage bonds amounting to $224,580, and approximately $780 of banks' fees.

Q. Have you the voucher there? A. Yes, sir.

Q. Hand it to Mr. Ramsey, please. A. Yes, sir.

(Witness handing paper to Mr. Ramsey.)

Mr. Gibson: Q. Was that amount charged to the account of Deep Rock? A. It was.

Q. What do you mean by "banks' fees?" A. Paying the checks, fees and similar items.

Q. Disbursing the interest payment? A. Yes, sir.

Mr. Ramsey: Q. Now, this voucher check of November 28, 1924, was deposited by the Standard with the Continental & Commercial Trust & Savings Bank without going through the hands of the Shaffer. A. Yes, sir. It was deposited to the trustee's account in payment of the coupons then due.

Q. Yes. There is a letter here from the trust department, it appears to be a printed letter, with this memorandum on it: "Trust Department, Continental & Commercial Trust & Savings Bank, 208 South LaSalle Street, Chicago," and then typewritten "November 21, 1924," addressed to H. M. Byllesby & Company, 231 South LaSalle Street, Chicago, Illinois, notifying Byllesby & Company that "On the 1st of next month there will be due and payable at this office the following amounts on six per cent first mortgage convertible sinking fund gold bonds of Shaffer Oil and Refining Company." Do you know why that notice was addressed to H. M. Byllesby & Company? A. No, except possibly tha' they were the bankers in the issuance of the bonds.

Q. H. M. Byllesby & Company had bought $11,000,000 of those bonds, hadn't it? A. They marketed those bonds in the first instance, yes, sir.

Q. They sold them to the public? A. Yes, and other bankers.

Q. That is the twelve million that you heard Mr. Lynch speak about here in his testimony this morning? A. Yes, sir.

Mr. Martin: Q. Mr. Knourek, it appears that there was deposited in the bank $225,368.03 by Standard, whereas Stand-

ard has only charged Shaffer with $224,580. Now the difference, as I understand it, represents fees charged by the bank, is that true? A. Yes, sir.

Q. For handling the transaction. A. Yes, sir.

Q. Do you know why that difference was not charged against Shaffer? A. It was. It is included in the item of "Sundry expenditures," I believe, on that page 1, the last item in the cash group.

Q. It was charged against Shaffer. A. Oh, yes.

We always forwarded to Deep Rock a debit memorandum advising them of the deposit of this money, and that we were charging their account for it. That was the customary way in which we notified Deep *Rcok* when we disbursed money for their account. That was always done.

The vouchers for the year 1921, evidencing the payment of $640,000.16 by Standard that appears to have been disbursed that year for Deep Rock, are as follows: On June 1, 1921, Standard issued its check in favor of the Illinois Trust & Savings Bank, trustee, in the amount of $160,000, covering sinking fund deposit under the $2,000,000 of convertible sinking fund seven per cent gold notes of Shaffer Oil and Refining Company. Also on the same date Standard issued its check in the amount of $480,000.16 as partial payment of amount due under the sinking fund requirements of the first *morgage* bonds of the Shaffer. The same details were followed in the other payments of the subsequent years as shown in the account here.

The next item is "Payment of Deep Rock Oil Corporation note discounted by Standard Gas and Electric Company," in which there appears to be one payment in 1923 of $100,000, and the next one in 1931 of a hundred thousand dollars, making up a total of $200,000. On June 18, 1923, Standard issued its check in favor of the National City Bank of Chicago in the amount of $50,000 in payment of the $50,000 promissory note issued by the Shaffer in favor of Standard on March 20, 1923, and apparently discounted by Standard at the time they received it. On March 20, 1923, Standard issued its check in the amount of $50,750 in favor of the Empire Trust Company of New York to apply on the Shaffer's note of $50,000, fifty thousand applied on the note, and $750 was interest. On February 16, 1931, Standard issued its check in favor of the First

National Bank of Chicago in the amount of $100,000 in payment of Deep Rock's promissory note payable to Standard dated November 17, 1930, in that amount, which was apparently discounted by Standard. The item "Payment of interest on Deep Rock Oil Corporation notes discounted by Standard Gas and Electric Company" $49,501.53, appear to be a number of entries of $6,000.00 in the years 1923 to 1930, inclusive. These are the same as those we are now paying, except that the notes run for a period of 90 days usually, and at the time of maturity interest was paid and the notes renewed. The first interest of $6,850.97 was interest on note to the National Bank of Kentucky, in the amount of $100,000.00, with renewals.

The next item is "Dividends on preferred stock held by the public, $2,542,519." That seems to have begun in 1926. On July 26, 1926, Standard issued its check in the amount of $1,335,912.25 in favor of Continental & Commercial National Bank, which I presume, was wired to the Guaranty Trust Company, New York, to be deposited to various dividend accounts, included in which was $84,054.25 of the Shaffer preferred dividends. On October 25, 1926, Standard issued its check in the amount of $84,054.75 in favor of the Continental & Commercial National Bank, which was wired by them to the Guaranty Trust Company for credit to the Shaffer seven per cent stock dividend account. I have the same details for the advances for dividends on preferred stock for the years following. They were handled in the same way. Receivers' Exhibit K is a statement prepared by me giving the dates and the amounts of the dividends that Standard paid on preferred stock held by the public. The Deep Rock did not pay anything, but the Standard Gas and Electric Company paid the public and charged the Shaffer with the amount of dividends on the stock held by the Standard Gas and Electric Company. In some instances the Shaffer did reimburse Standard for the dividends, in the amounts as shown here.

Mr. Gibson: Q. The next item there is "Dividends on common stock, $102,576," and appears to have been in two payments, 1927 and 1929. Will you get the vouchers for those two years, please, showing these disbursements? A. I have the one in 1927. On January 24, 1927, Standard issued its check in the amount of $73,248 in favor of the Continental & Commercial Trust & Savings Bank, which represented a deposit to the dividend account for voting trustees of the Shaffer stock. That was the stock held by the public.

Q. That did not include any of the stock which was owned by Standard. A. No, sir.

Q. And was that charged to Deep Rock in the usual way? A. Yes, sir.

Q. The other item in 1929 was handled the same way? A. Yes, sir.

The next item, "Redemption of 8% notes due 1941." There is a charge of $245,322, which apparently was made in 1926. The details on that are that on April 28, 1926, Standard issued its check in the amount of $245,322 in favor of the Continental & Commercial Trust & Savings Bank, which was to cover payment of principal and interest on $207,900 par value Shaffer eight per cent notes, 1941, which were called for payment on November 1, 1926, at 110 and accrued interest.

The next item is "Payment of federal income tax—Deep Rock Oil and Refining Company, $29,565.91," also for the year 1926. That $29,565.91 represents the Refining Company's proportion of the consolidated income tax of Standard and affiliated companies for the year 1925.

Q. Mr. Knourek, are you familiar with the practice which prevailed from the date of the acquisition of the stock in Deep Rock by Standard as to the making of consolidated income tax returns by Standard for it and other subsidiaries? A. Haskins & Sells prepare all our tax returns under our supervision.

Q. Did they make consolidated returns for a number of years? A. They have always made them, as far as I know.

Q. That has continued up to the last return? A. Yes, sir.

Q. Was there any saving to the Shaffer by reason of that consolidated return? A. Why, that information is being worked up, and it can be made a matter of record.

Q. Who is preparing that? Is Mr. Lynch getting that up? A. No.

Q. Or Mr. Braheney? A. Mr. Braheney is getting it up.

Mr. Ramsey: Are you through with him on that?

Mr. Gibson: Yes.

Mr. Ramsey: Then I will ask him.

Q. This $29,565.91 was charged by the Standard against the Shaffer in 1926 for the federal income tax of the Refining

Company for 1925? A. That was its proportion of the consolidated tax, yes, sir.

Q. By what authority did you charge it to the Shaffer Oil and Refining Company? Why didn't you charge it to the Deep Rock Oil and Refining Company? A. Under the terms of the lease agreement, Shaffer Oil and Refining Company was to pay all expenses, which included federal income taxes.

Q. The Standard construes the lease of October 1, 1925, that is, dated October 1, 1925, between the Refining Company and the Shaffer as imposing the obligation on the Shaffer to pay the Refining Company's federal income tax? A. I believe so.

Q. Now, the Standard charged up other years, $81,000 one year, for taxes. A. Yes, sir. For two years.

Q. What were those two years? A. 1927 and 1928.

Q. How much for 1928? A. $81,000 each year.

Q. Where do those two items of $81,000 for the Company's federal income tax appear in the charges against the Shaffer on the Standard's accounts or this Exhibit A? A. It is included in the item "Sundry expenditures," apparently in error, by the auditors.

Q. "Sundry expenditures," that is on the first page? A. Yes, sir.

Q. Those two $81,000 items are included in the $1,087,569.57. A. That is right.

Q. Did the Shaffer ever refund either one of those federal income tax items to the Standard? A. They may have. However, it would take a little time to look it up. I can look it up for you later if you wish.

Q. Those three were the only years that the Standard charged the Shaffer with the Refining Company's federal income taxes? A. Yes, sir.

Q. Did the Refining Company have any federal income tax in the other years? A. Due to the fact that the Refining Company income was included in the consolidated return of Standard and affiliated companies, the taxable income of the Refining Company was absorbed by losses of other subsidiary companies. That should be absorbed by losses of Standard and subsidiaries.

Q. How did you arrive at the $29,565.91 federal income tax for the year 1926? A. Well, that apparently was allocated on

the basis of taxable income of each company to the total taxable income. It was made up by Haskins & Sells.

Q. The same way in respect to the other two years in which $81,000 was allocated to the Refining Company? A. Yes, sir.

The next item is "Payment of Deep Rock Oil Corporation note in favor of Continental National Bank and Trust Company less unearned interest," $395,718.42. The details of that are that on September 1, 1928, Standard issued its check in the amount of $395,718.42 in favor of Continental National Bank to take up Shaffer Oil and Refining Company notes in favor of that bank as follows: One note dated August 9, 1926, $150,000. August 30, 1926, $250,000; less $4,281.58, representing unearned interest, which was apparently paid in advance. That payment was $395,718.42. Those were two notes of the Shaffer payable to Continental National Bank for money borrowed by the Shaffer. They were paid for by the Standard, and charged to the Shaffer open account.

The next item there is "Redemption of Shaffer Oil and Refining Company 6% bonds, due 1929, plus interest, premium, etc.," for which a charge of $1,922,110.23 was made. That did not come out of the proceeds of the $10,000,000 of notes now outstanding. The proceeds from the $10,000,000 notes were not sufficiently large to take care of both first mortgage bonds and the two year six per cent notes. Standard apparently took some of its general funds to make up the deficit. And this money, $1,922,110.23, was advanced by Standard. The proceeds from the $10,000,000 note issue amounted to $9,395,000. Funds were advanced out of that and out of Standard general funds totaling approximately $10,650,000 to cover the redemption of the first mortgage bonds and the two year notes, the $7,500,000 issue, then outstanding.

The next item is "Purchase of 11,000 shares of Utility and Industrial Corporation preferred stock for account of Deep Rock Oil Corporation," $277,475 in 1929. On March 25, 1929, Standard issued its check in the amount of $277,475 in favor of H. M. Byllesby & Company to take up 11,000 shares of Utility Industrial Corporation preferred stock sold to the Shaffer.

Q. What is the Utility and Industrial Corporation stock, what is that company? A. The company?

Q. Yes. A. Why, it is an investment trust of the management type.

Q. Is it still in existence? A. Yes, sir.

Q. What does it control? What property has it? A. It owns securities in various companies.

Q. Is that still owned by Deep Rock? A. You mean this 11,000 shares?

Q. Yes, sir. A. I believe not. I believe they used up a lot of that in connection with some of their business.

Q. They cashed some of it, or sold some of it? A. I think they used that in connection with the redemption of some of their subsidiary companies' securities.

Mr. Gibson: You may examine him on that, if you want to, now.

Mr. Ramsey: Q. Who owned the Utility and Industrial Corporation? A. Sir?

Q. Who owned the controlling stock in the Utilities and Industrial Corporation? A. I don't know that.

Q. Did H. M. Byllesby & Company own it? A. They owned a big block of it, yes, sir.

Q. Was H. M. Byllesby & Company underwriting a sale of stock of Utility & Industrial Corporation at the time the Shaffer purchased the 11,000 shares? A. I believe they did, yes, sir.

Q. What were those shares, common or preferred? A. This happened to be preferred stock.

Q. Is the Utility and Industrial Corporation still a going corporation? A. It is.

Q. Who represented the Shaffer in purchasing that stock? A. I couldn't say that.

Q. Was that purchased on the advice of the Management Corporation? A. I don't know that, sir.

There is the time of $1,087,569.57, running back to the beginning of the operations of the company, and consisting of "Sundry expenditures." That is for normal income taxes on bonds, that is paid to the government, those items are included in that. There is an item of $10.00 for Continental & Commercial Safe Deposit Company rental of safe deposit box, services of transfer agent, services of registrar, trustees' services, refunds of state taxes under other bond and note issues, representation service of the Corporation Trust Company, trustees' services, qualifying fees, qualifying securities of the Shaffer in Michigan and other states, cost of printing dividend

checks, trustees' services, refunds of state taxes, listing fees, listing the preferred stock on the Chicago Stock Exchange, Haskins & Sells services in connection with tax matters, documentary stamps.

Mr. Braheney: Haskins & Sells prepare all federal income tax returns for all companies in our system. Deep Rock Oil and Refining, or Deep Rock or the Shaffer, in certain years were in the consolidation. If they are in the consolidation, any fees for making up the consolidated income tax return is billed to them proportionately. If Deep Rock is on an individual basis, Haskins & Sells render individual bills which we pay and charge to Deep Rock. So unless they are in the consolidation, they pay only for preparing their own return.

Mr. Ramsey: Q. Now, does this item $1,087,569.57 that you are now discussing also include license taxes paid for the various states in which the Shaffer did business?

The Witness: A. No. I believe they paid their own license taxes.

Q. What about the appointment of agents on whom service of process could be had in the various states in which Shaffer did business? Who paid those fees? A. I believe they paid them themselves. I don't recall it ever coming through our records.

Mr. Ramsey: Well, go ahead.

Mr. Martin: Q. Does that item include attorneys' fees? A. I don't believe so.

Mr. Ramsey: Q. Does that item include any part of the salary of any of the attorneys for the Standard? A. No, sir.

We paid some of the bigger items, such a supply bills, like Wheeling Steel Corporation. We paid a lot of money out to the Wheeling Steel Corporation for account of the Shaffer, which items are also included in this $1,087,569.57. When the Shaffer was buying a lot of pipe, those accounts ran quite high. We paid the invoices to Wheeling Steel Corporation, and charged the account of Deep Rock. In that connection, we have other of our accounts that buy pipe, and so on, from these various manufacturers, and we just issue one check for all of our companies in payment of their charges against all of our subsidiaries.

The next general heading below on page 1 of Exhibit A is "Income to Standard Gas and Electric Company," consisting of five items on that page, the first being "Interest on open account balances." That means the interest which we charged for moneys advanced to or paid for Deep Rock. Our billing date for interest covers a period from the 24th of one month to the 24th of the next, and interest is computed at the rate of seven per cent per annum on the daily balances in each of the accounts.

The officials in Tulsa, and I believe some of the officials here in Chicago, checked on the Deep Rock's banking account. I don't know what officials in Chicago checked on the Deep Rock bank account. Checks might have been drawn by the Chicago officials of Deep Rock on the bank account of the Deep Rock and then the Deep Rock merely notified to that effect by debit memorandum, or otherwise. That was possible. That is not in my department. I believe that is in Mr. Morrison's department.

In the event that we charged Deep Rock interest on their account on the 24th day of the month, and they made us no payment, we charged the interest to the open account if there was a balance of interest due to Standard. And that was added to the bill for the subsequent month if it wasn't paid. In the event that it was added to the account sent out the 24th of the following month, we then would compute interest also on that item of interest which was included in the account. That would be compounding it, then, in that event. I started to make an estimate or calculation of the difference resulting from the compounding of that interest as compared with the amount chargeable at simple interest, at the rate of seven per cent, but I did not finish because the account would have to stop sometime, that is, the interest would have to be added to the account sometime, and I did not know on what basis to figure it. I don't know if I ever covered any particular period. The balance in the account was constantly changing, and you cannot apply any formula to an estimate of such interest. The balance was changing practically daily, you might say. It would be a terrible job to tell how much of this $4,819,000 is made up of the compound interest, or interest on the interest. It would entail the calculation of each day's balance from the beginning all the way through.

Q. Now, Mr. Knourek, from your experience in the account-

ing department of companies, state whether it is customary to charge interest on daily balance, when one company is advancing money for the benefit of an associate or affiliate. A. Yes, sir, that is the practice in our companies.

Mr. Ramsey: When you say "that is the custom of our companies," you mean the custom of the Standard? A. The Standard system, yes, sir.

Q. You don't know what other systems, do you? A. No, sir.

The next item is $184,087.93. That appears to be for interest paid in the years 1922, '23, '24 and '25. Standard owned some promissory notes of the Shaffer on which interest was charged, and which this charge represents. They were notes that Standard took in partial liquidation of the open accounts at various times. That is in reality exactly the same line as the interest on the monthly open balances. On October 1, 1922, Standard received on account from Deep Rock its promissory note in the amount of $400,000, due October 1, 1923, with interest at the rate of eight per cent per annum. This note was renewed each year on the same terms, and on November 7, 1925, it was canceled and the amount charged to open account. Interest on the note was charged to Deep Rock open account monthly at eight percent. On December 1, 1922, Standard Gas received on account from Deep Rock its promissory note in the amount of $350,000, due December 1, 1923, with interest at the rate of eight per cent per annum. This note was also renewed each year on the same terms, and on November 7, 1925, was canceled, and the amount charged to open account. Interest on this note was also charged to the open account monthly and compounded. That covered the entire period, I believe.

Mr. Martin: Q. You mentioned these two notes, one for $400,000 and another one for $350,000, that drew interest at eight percent. A. Yes, sir.

Q. Did the notes by their terms draw interest at eight per cent annually, or to be compounded monthly. A. I don't recall.

Q. The interest was, though, compounded monthly? A. It was charged to open account monthly, yes, sir.

Q. You do not have copies of those notes? A. Yes, I have a copy of the $400,000 note.

Q. This note is dated October 1, 1922, and provides for interest at the rate of eight per cent per annum after date.

That is the only reference that it makes to interest. Now, by what authority was interest charged into the open account monthly, which resulted in a compounding of interest monthly? A. I don't know by what authority it was charged.

Mr. Gibson: When was that due?

Mr. Martin: That was due October 1, 1923, one year after date.

A. I don't know by what authority.

Q. Is the same thing true of the $350,000 note, do you know? A. Yes, I imagine so. I do not have a copy of that, but I guess the terms were along the same lines.

Mr. Gibson: Q. Those notes were both given for previous advances made by Standard? A. Yes, sir. They were issued by Shaffer in liquidation or partial liquidation of the open account balance at those dates.

The next item, $331,500, "Interest on 5-year 6% notes owned by Standard Gas and Electric Company" represents interest charged to the open accounts quarterly at the rate of six per cent per annum on the $4,250,000 note of the Shaffer which was owned by Standard. That is the note which was taken up by the issuance of common stock in 1928.

The next item is "Dividends on preferred stock, $1,555,-981," which covers the years beginning with 1926. That was on preferred stock of the Shaffer owned by Standard. This $1,555,981 represents the amount of dividends applicable to the stock held by Standard for which Standard made direct charges to the open account, thereby eliminating the necessity of issuing dividend checks to Standard. They merely charged the Deep Rock with that amount, rather than to have the Deep Rock issue them dividend checks. It was classed on the books of Standard as income from dividends. I don't know that the question as to the availability of that much cash in the accounts of Deep Rock have anything to do with this method of handling it rather than by actual payment. But those items were all handled the same way, and upon the same stock owned by Standard.

The next item is "Dividends on common stock, $1,946,672." The dividends were apparently declared on that in two sums, one in 1927 and one in 1929. The one shown in the 1927 column represents the dividend on the basis of 1926 results,

which was paid in January of 1927. And the amount shown in the 1929 column was on the results of operations for the year 1928. There again the items were charged direct to the open account, and dividend checks were not issued by the Shaffer. The first dividend was at the rate of seven dollars per share, and the second at a dollar and a half. Between the payment in 1927 and the payment in 1929, Standard had acquired additional stock by reason of the settlement of April, 1928. That explains the increased amount above what it would have received at the rate of a dollar and a half. There was another dividend paid in 1930 of $1.75 per share, which does not appear here. There is no account of that because it was not entered through the open account. It was handled by checks in the following manner. We received a check from the Shaffer amounting to $980,784 on March 1, 1930. On the same day, Standard issued its check in favor of the Shaffer in the amount of $980,910 in payment for 18684 shares of the Shaffer common stock at 52½ a share. Standard took common stock for the dividend payment which they had received. I believe some of the stockholders purchased stock in the same way that Standard Gas did, but the result was in reality that Deep Rock paid out very little money on that dividend.

Mr. Ramsey: Now, can we agree that there is no writing, or written declaration disclosing for whom J. C. Kennedy took and holds title to the Bradstreet properties as trustee?

Mr. Gibson: Why, my information is, and it may be stipulated, that there was no written authority by which he was designated as trustee.

Mr. Ramsey: No written instrument.

Mr. Gibson: No written instrument by which he was designated as trustee.

Mr. Ramsey: Or shows in writing for whom he acts as trustee.

Mr. Gibson: I think that is so.

Q. And the same thing is true with respect to R. J. Graf as trustee? A. Yes.

(Whereupon an adjournment was taken until 9:30 o'clock A. M. of the following day, being Friday, June 1, 1934.)

Q. Mr. Knourek, will you please refer to the item on page

2 of the account attached to the petition in intervention, which consists of, first, "Assumption of open accounts due other companies," and please take the first one, "Byllesby Engineering and Management Corporation: Sundry charges," which apparently amounts to $230,463.16. The bulk of that appears to have been in the earlier years. Take the first year, 1922, for instance, in which there was apparently $113,876.87 expended, and give us the detail of that expenditure? A. The largest item in that year was one of $48,000, which the Management Corporation charged to the Shaffer for engineering fee based on approved special budget covering cracking process and accessories, for which plans and specifications have been prepared and a large part of the work completed. The total fee was ten per cent on $600,000, or $60,000, and eighty per cent was then due, which amounted to $48,000. There is an item of $30,000 representing a bill that the Management Corporation paid to Cummins, Roemer & Flynn for legal services rendered to the Shaffer.

Mr. Gibson: Let's see.

A. It is a bill of Cummins, Roemer & Flynn to the Shaffer, which was assumed by the Management Corporation, and it covers various services, it is an inch and a half long.

That bill was assumed by Standard and charged to the Shaffer; paid for the Shaffer to the Management Corporation. One item of $12,000 debit to the Shaffer which the Management Corporation paid to Continental & Commercial Safe Deposit Company was for acquirement of additional office space, and cost of alterations. That, however, was paid in cash to the Management Corporation by the Shaffer.

Mr. Martin: Q. Did the firm of Cummins, Roemer & Flynn represent the Standard's interest on a retainer basis, or was that on a basis of specific fees for specific services rendered? A. I think there were some retainer fees in the early days.

Q. I mean since 1919. A. Yes, since 1919. Of course, I am here since 1924. There were some retainer fees paid to Cummins, Roemer & Flynn, but I don't remember whether there was any retainer ever charged to the Shaffer.

The Management Corporation rendered its bill to the Shaffer direct. Then the balance in the open account between the Management Corporation and the Shaffer, which would probably include this $200,000 and other charges, would be trans-

ferred to Standard, then Standard would have the charge against the Shaffer on its books. Standard just assumed whatever account the Management Corporation had against the Shaffer. That was a separate transaction, by itself. Byllesby Engineering would not turn the bill over to Standard. Standard never got that bill covering the supervision fee at all. The Standard assumed whatever balance the Management Corporation had against the Shaffer. Standard has never specifically paid to the Management Corporation these various sums composing this $1,219,034.83. Standard advanced funds in round amounts, periodically, every two weeks or month, whenever the Management Corporation needed cash, and those items would be charged to the Management Corporation open account. There is a balance due Standard from the Management Corporation at this time. All of these accounts assumed were not paid specifically. In other words, Standard had an account with the Management Corporation and as the Shaffer became indebted to the engineering company, Standard would simply assume that account, together with all the other properties. It was just a matter of bookkeeping between the companies, and from time to time, as the engineering company needed money, Standard would advance it to the engineering company, just as Standard was advancing money to the Shaffer from time to time. They would credit the engineering company with these various sums, and charge them to the Shaffer.

In regard to those sundry charges, on the second page, the first item there, which is Byllesby Engineering, amount $230,463.16, part of that was Mr. Lynch's salary. The Management Corporation charged the Shaffer with $416.66 for Lynch's salary for the year 1921. For 1922 the Management Corporation charged against the Shaffer Lynch's salary of $4,999.92, at the rate of $416.66 per month. The item of directors and executives committee fees for the year 1922, $1,360, was for directors' fees for the directors of the Shaffer. For the year 1923, the Management Corporation paid Mr. Lynch's salary, $4,999.92. That is a portion of Mr. Lynch's salary, I believe. That is a part of these sundry charges up here. The Management Corporation for the year 1923 also paid the directors' fees for the Shaffer. For the year 1924 the Management Corporation charged against the Shaffer as a part of this $230,463.16 the sum of $4,999.92 as salary for Mr. B. W. Lynch. At that time Mr. Braheney succeeded Mr. Lynch, and a portion of Mr.

Braheney's salary was charged to the Shaffer. That amount that you speak of, however, represents the amount that passed through the Standard open account with the Shaffer. There may have been other charges for the same service by the Management Corporation which were paid direct to the Management Corporation by the Shaffer. For the year 1924, referring now to these sundry charges of $230,463.16, it appears that the Management Corporation charged against the Shaffer the sum of $18,931.68 for the legal services of Cummins, Roemer & Flynn. I believe Mr. Lynch's salary was paid to him direct from the Management Corporation.

Q. Then that company allocated his salary to the different subsidiaries of Standard. A. I don't know about any other subsidiaries, I couldn't say as to that. However, it is available. I do know that a portion of it was charged to Shaffer.

Mr. Lynch is vice-president and director of the Management Corporation. He had supervision of the auditing of the books until Mr. Braheney superseded him. I believe Mr. Lynch's salary as paid by the Management Corporation was a great deal more than five thousand a year. Mr. Lynch was also a director and officer of the Standard at all times while he was acting as an officer of the Management Corporation.

Mr. Gibson: Q. What was the particular service rendered by Mr. Lynch for which this approximately five thousand a year was charged? A. Why, I believe Mr. Lynch answered that question when he was on the stand.

Q. Do your accounts show what it was for? A. No. The bill just reads "for services of Mr. B. W. Lynch."

Q. He was in charge of the accounting department, at the head of the financial department. A. Yes, sir.

Q. You say that after Mr. Braheney succeeded him, however, that part of his salary was charged on this same bill? A. Yes, sir.

Q. For what services? A. That, again, will have to be answered by someone else.

Q. But of the same general nature of services, supervising the accounting. A. Supervising the accounting of the Shaffer, special services, as they came up.

The next charge, which is in the amount of $752,647.10, to H. M. Byllesby & Company, represents balances in the account between H. M. Byllesby & Company and the Shaffer

which were assumed by Standard, and by them charged to the Shaffer on open account. The biggest item in that account represents a liability to C. B. Shaffer for borrowed oil which was assigned by C. B. Shaffer to H. M. Byllesby, amounting to $468,987.58, which H. M. Byllesby & Company charged to the Shaffer. The Shaffer had borrowed over $400,000 worth of oil from C. B. Shaffer individually, and Byllesby & Company paid Shaffer individually for it and charged it to the Shaffer Company. Then Standard assumed the account, to refund the money to H. M. Byllesby. There was also a charge in that item by H. M. Byllesby & Company for $33,486.25 for proportion of expenditures, rebuilding offices; also an item of $175,000 for cash advanced by H. M. Byllesby & Company to cover the payment of the quarterly dividend due December 31, 1920, and March 31, 1921, two dividends on 50,000 shares of preferred stock of the Shaffer. Only a portion of that preferred stock was owned by Standard at that time, if I remember correctly. Then there is also a credit of $200,000 which H. M. Byllesby & Company received from the Shaffer in the form of cash on account. There is also an item here for $54,444.45, representing accrued dividend from April 1, 1921, to May 27, 1921, on 50,000 shares of the Shaffer preferred stock surrendered and canceled. That was when C. B. Shaffer got out. The $524,441.68 is the net balance, as transferred to Standard.

The next item of $42,750, covers the charge for the Blue Ridge Oil and Gas Company which appears to have been entered in the year 1922. That represented the balance on open account due the Blue Ridge Oil and Gas Company from the Shaffer. It was for the purchase by the Shaffer of oil and gas leases. I am not sure of that, but I think maybe Standard controlled the Blue Ridge Company.

Mr. Campbell: It is stipulated that at the time of the dissolution in 1922, all the outstanding stock of the Blue Ridge Oil and Gas Company, consisting of 1000 shares was owned by Standard Company.

Blue Ridge Oil and Gas Company's charge was to the Shaffer, and then Standard assumed that balance.

The item of $6,600.05 in 1924 represents a charge by Standard to Oklahoma Gas and Electric Company for rental of equipment installed to December 31, 1923. The charge to the Shaffer was dated April 21, 1924, and represented the amount

Standard paid Oklahoma Gas and Electric Company in payment of their invoice covering rental of all equipment installed to December 31, 1923, in the amount of $6,600.05. They charged the Shaffer and that amount was paid or assumed by Standard. The Oklahoma Gas and Electric Company is a subsidiary of Standard, and was at those times.

The first item under the heading "Deep Rock Oil and Refining Company—rentals," under the year 1926 shows $825,000. In July of 1926 Standard assumed the balance of open accounts due the Refining Company from Deep Rock as of June 30, 1926. There was a balance in the account at June 30, 1926, amounting to $525,000. Subsequently the balances between those two companies were assumed by Standard monthly, and that accounts for the $825,000. There is $225,000 rental for the last three months of 1925, and $50,000 a month for succeeding years. That makes altogether $525,000 up to July 1, 1926. They charge the item of $525,000 in July, 1926, as one item on Standard's books, and $50,000 a month after that. The account as assumed by Standard represented the charges that the Refining Company had made against the Deep Rock under the terms of that lease, Receivers' Exhibit "Jay," and also a subsequent lease which was entered into as of October 1, 1930. All subsequent rentals and accounts were handled in the same manner. The Shaffer, that was its name at that time, agreed to pay $225,000 rental for the last three months of 1925. On December 31, 1925, there was no entry made on the Standard's books charging the Shaffer with that $225,000. That charge was not entered on the books until July 1, 1926. I believe that Standard charged those amounts prior to the time this $525,000 was charged to the Shaffer account, to an account called J. C. Kennedy, Trustee.

Q. According to the Standard's books, then, the Shaffer never paid either the Refining Company or Standard any rentals at all, is that right? A. Standard received cash at times in payment of the account that they had in favor of the Refining Company, and which was assumed by Standard, and grew out of this rental charge of $50,000 a month.

Q. Did the Shaffer at any time issue any checks upon which were endorsed an entry showing that the check was for rental under this lease shown by Receivers' Exhibit "Jay." the check being either payable to the Standard or to the Refining Company, or to Kennedy? A. I don't believe it was ever specifically stated on the voucher or the check that the

payment was for rentals. They might have listed the Standard debit memorandum number on the stub of the check, but that number had reference to the charge that Standard made to them for the assumption of the open account between the Refining Company and Deep Rock.

Q. In other words, whatever checks or sums were paid by the Shaffer were paid direct to Standard, and not to the Refining Company. A. I don't believe they were ever paid to the Refining Company.

Q. Or to J. C. Kennedy, trustee? A. I don't think so.

Q. Or to R. J. Graf, trustee? A. I don't believe so.

Q. All the payments made by the Shaffer Company were made direct to Standard on open account, is that right? A. That's right.

At the time of the purchase of the Bradstreet properties the Standard paid $500,000 cash on the purchase price of those properties. There was $150,000 in notes of the Shaffer. Standard charged interest on the $650,000 to J. C. Kennedy, trustee, which was taken up by the Shaffer. So the net result of it was that that interest, in the final analysis, was assumed by the Shaffer; assumed the interest that was charged against J. C. Kennedy, trustee. The rentals charged by the Refining Company to Deep Rock constituted the income of the Refining Company, available for its corporate purposes. It declared its income as dividends and interest when the note began to draw interest monthly to Standard, who was the holder of the stock and notes.

Q. And the dividend checks were drawn by the Refining Company, or was that just a matter of bookkeeping? A. No checks were drawn. It was just a bookkeeping transaction.

The next charge is the sale of Shaffer Oil and Refining Company 8's of 1923 to the company, for which there was one charge of $451,237.33. That represented Standard's sale to the Shaffer of $445,300 par value of Shaffer Oil & Refining Company 8% notes, due 1923, at 100 plus accrued interest, the total debit being $451,237.33. That entry was made on December 31, 1922. Thus these notes were retired and the debt was changed from notes into the open account. In the Home Oil Company transaction, it appears Standard just acted as agent in the acquisition of the Home Oil Company's common stock for the account of the Shaffer. On April 25, 1924, Standard sent the Shaffer an advice to the effect that

6500 shares of Home Oil Company common stock was purchased for their account for $175,000. At the same time, I believe, in the same month anyhow, Standard received $175,000 par value of Shaffer Oil and Refining Company eight per cent notes, due 1941 from the Shaffer in payment of Home Oil Company stock acquired. These notes were turned over to the seller in payment. That really washes out those two items.

The next item, "Transfer of J. C. Kennedy, trustee, open account to Deep Rock Oil Corporation, $649,999," that is the Bradstreet deal. That also appears to be washed out by the transfer of 8325 shares of common stock which is now held in the name of Mr. Morrison.

The $750,000.00 notes receivable which were transferred to the open account has been answered in discussion of the interest on these notes. This particular transaction refers to the cancellation of notes and the charging of them to open account. They had been originally given for credit on an open account, and were charged back. The credit was given back in 1922.

The next item, "Retirement of Shaffer Oil and Refining Company 5-year 6% notes," $4,250,000, is a part of the 1928 settlement made in April. And that is the note which the company held to represent previous advances. So that the total excess of charges over credits as shown by the account as of February 28, 1933, was $9,342,642.37, which represents the difference between debits of $52,529,709.34 and credits of $43,187,066.97.

Mr. Ramsey: Q. I am not quite clear about this item entitled "Reimbursement for advance for dividends on preferred stock, $927,500," composed of items in the year 1930, the year 1929, the year 1928, the year 1927 and the year 1926. Now, did the Shaffer during those years pay to Standard dividend checks to reimburse the Standard for dividends it had paid the stockholders other than the Standard itself? A. That amount, together with two other items which the auditors have classified in the item "Cash received on account" represented reimbursements to Standard by the Shaffer for funds deposited or amounts charged to open account for dividends on preferred stock of the Shaffer.

Q. Those charges were carried on the open account of the Standard against the Shaffer? A. Yes, sir.

Q. Were they ear-marked charges for dividends advanced by Standard or paid by Standard or deposited by Standard? A. Yes, sir.

Q. And then subsequently the Deep Rock had paid Standard certain sums of money which the Standard would credit to these dividend charges and advances? A. All items went through that one open account, but these items were specifically ear-marked as reimbursement for preferred dividends advanced by Standard.

It appears that the Shaffer issued in 1926 its two-year note in the sum of $7,500,000, due in 1928. These notes were sold to the public. A banking syndicate, including H. M. Byllesby and other bankers, I believe, sold them to the public. The Standard retained these proceeds to apply on the open account indebtedness due it from the Shaffer which had been built up by various charges. In other words, proceeds of the two-year $7,500,000 notes were retained by the Standard and credited by the Standard to the open account of the Shaffer. The item at the bottom of the last page, "Extensions and additions to properties of Deep Rock Oil and Refining Company, $1,894,-592.11." That is the last item on the last page. That represents advances that Deep Rock made for the extension and development of the Bradstreet properties and the construction and development of the cracking plant from the early part of 1923 to October 1, 1925. That item was put on the Standard's books in December, 1925, as of October 1, 1925. That is the item which is evidenced by the note of the Refining Company. That is, the Standard holds the Refining Company's note for this amount. The Refining Company owed the Deep Rock at this time, according to the report of the Refining Company, approximately $550,000. I believe it represents the expenditures made by the Shaffer in developing and extending the properties of the Refining Company since October 1, 1925, the net amount. Nowhere in this Standard account here is the Deep Rock given credit for that $550,000.

B. W. Lynch, was recalled as a witness on behalf of the Claimant, and on direct examination by Mr. Gibson, testified:

In addition to the managerial fees charged for as having been rendered by the Management Corporation, there were certain charges made against Deep Rock in the name of myself and of Mr. Braheney. They were a pro-rate of the Depart-

ment of Auditing, which started in 1919, at which time there was no management fee charged. It started at the rate of five thousand a year, which in all the years did not come out exactly at five thousand; it varies to eight cents, starting at four cents. The first year it was $2500, and for the years 1920 to 1932, inclusive, there was $5000 a year billed in addition to the amounts billed as supervision, and then in the year 1933 for one month it was billed as $416.66. It was started in 1919 as a pro rate or a part of the expenses of the auditing department of the Management Corporation in a small capacity, and then as it came along to the time when they started the supervision fee, the first one being in 1921, and then, secondly, after 1924 that charge of $5000 a year was continued, in addition to the regular supervision fee.

B. W. Lynch, on cross-examination by Mr. Ramsey, testified:

In the recapitulation of the expenses as prepared by the auditors in putting that down as listed, it was not included in the column "Supervision," it was included in the other services. Therefore, in my previous testimony I took the audited figures for Supervision as embracing the total amount as such. In other words, the auditors put these under the item "Sundry charges" instead of "Management charges."

George W. Knourek, a witness on behalf of the Claimant, was recalled for cross-examination by Mr. Martin, and testified:

Receivers' Exhibit M is a correct copy of a bill totalling $142,850.49 that was rendered the Shaffer by H. M. Byllesby & Company under date of August 22, 1922. One of the entries on this exhibit is under the following head: "Expenditures made by H. M. Byllesby & Company for your account covering the period from July 1, 1919, to April 30, 1921. Salary of D. W. Dennis, $4,481.08." I don't know Mr. Dennis, never heard of the name before. And "salary of A. L. Dade" for the same period, "$4,373.50." Mr. Dade is an employee of the Deep Rock, and was formerly an employee of the Shaffer. Similar entries appear opposite the names of R. K. Huey, $5,300, H. C. Cummins, $12,165.50, and so on, making the total of salaries to the persons named for the period of July 1, 1919, to April 30, 1921, of $33,991.39. Mr. Dade, and Mr. Huey, and Mr. Cummins, I believe, were employed by the

Shaffer during that period. I don't know if their salaries were paid by the Shaffer during that period.

M. A. Morrison, was called as a witness on behalf of the Receivers, on direct examination by Mr. Martin, and testified:

I am vice-president and treasurer of H. M. Byllesby & Company. I was assistant secretary and assistant treasurer of that company for the period from July 1, 1919, to August 22, 1922. I have examined Receivers' Exhibit M. H. M. Byllesby & Company billed the Shaffer for salaries totaling $33,931.31 paid by it for the period from July 1, 1919, to April 30, 1921. At that time they were employees of H. M. Byllesby & Company. They were probably engaged on work in connection with the Shaffer, but were employees, salaried employees of Byllesby & Company. They did not receive any salary from the Shaffer for that same period.

Q. Now, why, if they were employees of H. M. Byllesby & Company, was their salary subsequently charged to the Shaffer? A. Because the work on which they were engaged was for the benefit of the Shaffer.

Q. Why were the salaries not charged at the time that they were paid? A. I think that some of these salaries expenses accrued prior to the organization of the Shaffer Oil and Refining Company in its preorganization status.

Q. This statement here shows it was for a period of from July 1, 1919, to April 30, 1921. Now, the Shaffer was incorporated and doing business during that period, wasn't it? A. I am not certain that they were, in July of 1919.

Q. Do you remember when they started? A. It may have been just about that time.

Q. Well, at least the bulk of it would be for the period that the Shaffer was in business. A. Yes, I should say so.

Q. When was that charge first made against the Shaffer? A. August 22, 1922, according to this memorandum here.

Mr. Ramsey: Q. That is, it was on the books on August 22, 1922? A. Yes.

Mr. Martin: Q. What is the reason that those charges were not made against the Shaffer prior to that date? A. I don't recall now.

Q. Appearing on this same exhibit is an item of $35,000,

legal services for preparation of trust indenture, trust agreement for bonds of Shaffer Oil and Refining Company (1919). What does that represent? A. Well, I would say that represents the amount of money that was paid out by Byllesby Engineering Company to the attorneys who had performed the services in connection with the trust indenture and the trust agreement.

Mr. Ramsey: Q. The first mortgage bonds of the Shaffer? A. First mortgage bonds, yes, $15,000,000 issue.

Q. Who were the attorneys? A. That does not show here on the record.

Q. Well, do you know?

Mr. Martin: Q. They were Cummins, Hagenah & Flynn, weren't they? A. It may have been, although it also may have been outside counsel. I think very likely it was Cummins, Roemer & Flynn; but I cannot at this time say definitely.

Q. Why wasn't that charge made against Shaffer at the time it was incurred? A. I don't recall.

Q. The total balance that is shown there to be due H. M. Byllesby & Company by the Shaffer has been paid by the Shaffer, hasn't it, with the exception of an item of $35,000, which seems to be in error? A. Well, I cannot say from my records here what was paid and what was not paid. This record here only goes to the charge, not to the subsequent credit. It was paid in some manner or fashion, whether it was all paid, or subsequently corrected, I don't recall.

Q. There are some pencil notations on the original invoice there. A. They don't throw any light on it.

Q. From that you cannot tell whether the full $142,850.49 was paid, or part of it. A. No. I would have to have further documents to determine that.

B. F. Braheney, witness for claimant, on direct examination by Mr. Gibson, testified:

My connection with the Standard arises out of my being Vice-President of the Management Corporation; I am not an officer of the Standard, but as an officer of the Management Corporation I rendered services to the Standard; I supervise all Standard's accounting work and am the Standard's auditor; I supervise the accounting work for the affiliated and

subsidiary companies of the Byllesby group; I am the Braheney whose name is included in the statement to which Mr. Lynch referred as having received, or rather in whose name certain charges were made for services rendered to the Deep Rock. The Management Corporation's supervision fee for the year 1921, $99,034.83, was charged Deep Rock on the basis of 1¼ per cent of Deep Rock's gross earnings. I have a statement here showing the amount of Management Corporation fees if charged at 1¼ per cent of Deep Rock's gross earnings for the years 1919 to 1932, inclusive. The Deep Rock's gross earnings for those years were $192,386,926.95, and the total supervision fee on the basis of 1¼ per cent would have been $2,404,836.57, whereas the charges actually made for supervision fees total $1,219,034.83, to which should be added $67,000.00 charged by the Management Corporation for the services of Mr. Lynch and myself. The management fees actually charged are on the approximate percentage of 66/100 of one per cent of the total gross earnings. I am familiar with the charges the Management Corporation has made for some services rendered other affiliated companies in the Byllesby group; against the largest company in our system we charged one per cent of the gross earnings for electric, gas and steam; we charged some of the others two per cent of their gross earnings, and some two and one-half per cent, but we reduced the two and one-half per cent on one company to one and one-fourth per cent because the company could not otherwise earn its preferred stock dividend. Claimant's Exhibit 11 was prepared by me and under my direction and is a functional chart of services performed for managed companies by the financial, accounting, audit, statistical, treasury and secretarial departments of the Byllesby Engineering and Management Corporation, but does not include technical service rendered in the way of engineering, construction, and matters of that kind. This chart, Claimant's Exhibit 11, was prepared for use in justifying the management's services as to the operated and managed companies in the Standard system.

B. F. Braheney, on cross-examination by Mr. Ramsey, testified:

All capital stock of the Management Corporation, 100,000 shares without par value, is now and has been at all times owned by Standard. I do not happen to have the figures available showing how much money Standard paid into the

Management Corporation for this stock. (All exhibits are admitted in evidence.)

Hearing of June 18, 1934, Before Special Master.

Hearing before Hon. Preston C. West, Special Master. Messrs. Gibson, Maxey & Holleman and R. M. Campbell appeared for the claimant Standard Gas and Electric Company; Messrs. Ramsey, Martin & Logan appeared for the trustee.

O. O. Kerr was called as a witness on behalf of the claimant, and on direct examination by Mr. Gibson, testified:

In connection with Mr. W. R. Francisco's testimony at the last hearing that the earnings before retirement, from the Bradstreet property, which Shaffer received from the time of acquisition of the Bradstreet property up to the making of the lease in 1925 were $789,649.19, and after retirement were $659,879.10. I have available a similar statement as to the earnings derived by the Shaffer during the period previous to October 1, 1925, from the cracking plant, which was also being operated by them during that period. The earnings before retirement for that period were $829,749.69 and there were no retirements. That was entirely traceable to, and arose out of, the operation of the cracking plant. Then the total before retirement would consist of $789,649.19, as testified by Mr. Francisco, from the producing properties acquired from Bradstreet, and $829,749.69 from the stills.

I remember being in Chicago in February, 1930, in company with Mr. Francisco and Mr. Gray. In connection with that trip, Mr. Francisco and I made up for the directors of Deep Rock, under information furnished to us by Mr. Gray, a statement showing the appraised value of Deep Rock properties at different times as these values were estimated by Mr. Gray. That is Claimant's Exhibit 12. This information contained in Claimant's Exhibit 12 was derived from the information given to Mr. Francisco and me by Mr. Gray. Mr. Riddle and Mr. Majewski and I believe Mr. Moody was present also. I don't know whether that was presented to the meeting of the directors or not. (Claimant's Exhibit 12 admitted in evidence.) I have been the auditor of Deep Rock since about June 1, 1922. I have been with the company ever since the date of its organization. Claimant's Exhibit No. 13 is the statement by totals at the end of each year of the gross earn-

ings, operating expenses and net earnings of the several departments from the period January 1, 1919, to February 28, 1933. Claimant's Exhibit No. 14 shows the gross earnings, operating expenses and net operating earnings in total, also interest charges, amortization of debt discount, appropriations for depreciation and depletion, preferred and common stock dividends and balances carried to surplus, together with the surplus at the beginning and end of each year, from January, 1919, to February 28, 1933. In Exhibit 13, the bottom line, I show the net operating earnings after federal taxes. In Exhibit 14, I show the gross earnings, which would be the same as the summary of the first group of figures on top of Exhibit 13. And the operating expenses correspondingly are shown in the second line. The third line in Exhibit 14 would be the net operating earnings after deduction of operating expenses, maintenance, taxes and federal taxes. Then from that, I show deductions from the results as shown by the various years of interest charges, amortization of debt discount, and by that I mean the discount and expenses which they were compelled to allow in selling the notes, also the amount appropriated for the retirement and depletion reserve which was to cover the depreciation in value of the properties which they had. My last group of figures would be the surplus showing, and the last line would be the surplus as shown by the books of the company existing each year from 1919 to February 28, 1933. (Claimant's Exhibits 13 and 14 offered in evidence.) At the request of Mr. Gibson, I have made a search and analysis of the financial condition of the company at the various periods when common stock dividends were paid by the company. The first dividend on common stock was $7.00 per share and was declared December 15, 1926, payable to stock of record December 31, 1926, dividend being payable on January 25, 1927. I have here a balance sheet as of November 30, 1926, which was the last balance sheet immediately preceding the date dividend was declared. I also have a balance sheet as of December 31, 1926, which is the balance sheet immediately preceding the date of payment of the dividend, which was on January 25, 1927. These are Claimant's Exhibits 15 and 16. The surplus as of December 31, 1926, as shown by Exhibit 16, from all sources, after providing for the common dividend declared on December 15th, was $2,203,-702.18, which is the same figure as shown in Exhibit 14 for the end of the year 1926. In 1926, a total of $1,395,000 of

preferred stock dividends were paid on January 25, and $1,179,248 as common stock dividends. (Claimant's Exhibits 15 and 16 offered in evidence.)

Mr. Gibson: The minutes of Deep Rock for December 15, 1926, on page 99, show that the preferred dividend declared as of that date was nineteen and a quarter cents on the preferred stock and represented the accumulation on preferred dividends, and then in addition to that, there was a current dividend of $1.75 on each share of preferred stock, and they also declared dividend of $7 on each share of class A common and $7 of common stock, all dividends on class A and common stock payable January 25, 1927, and the accumulated dividends on preferred payable January 1, 1927.

(Witness): The second dividend on common stock was declared December 31, 1928, payable January 15, 1929, at 1.50 per share, amounting to a total of $570,000. I have made up similar statements comparable to Exhibits 15 and 16 with regard to this period. I have here a balance sheet of November 30, 1928, which was the last balance sheet immediately before the declaration of the dividend; balance sheet of December 31, 1928, being the last balance sheet immediately before the payment of the dividends. The balance sheet of November 30, 1928, is Claimant's Exhibit 17 and the one of December 31, 1928, Exhibit 18. Referring to the statement of December 31, 1928, identified as Claimant's Exhibit 18, the total surplus, after provision for payment of all dividends which had been declared up to that time, was $2,120,080.97. This was after provision for the payment of dividends previously allowed and payable on January 15th. The next common stock dividend was declared on February 24, 1930, payable to stock of record December 31, 1929, and payable March 1, 1930, at the rate of $1.75 per share, totalling $1,015,437.50. I have a balance sheet of January 31, 1930, and February 28, 1930, which are Claimant's Exhibits 19 and 20, respectively. I have a record as to what was done with the amount of money paid to Standard for its common dividend upon stock owned by it at that time. Standard purchased with their dividend additional common stock of the Deep Rock at $52.50 per share. That amount of money was actually paid back to the company. That was not a bookkeeping job; checks were passed. The total dividend payment was $1,015,000, and we received back $1,009,000, receiving all except $6,000 that was paid out

as common stock dividend. There was never any other common dividend declared or paid after that. (Claimant's Exhibits 19 and 20 admitted in evidence.)

O. O. Kerr, on cross-examination by Mr. Ramsey, testified:

On these Claimant's Exhibits 16, 17, 18, 19 and 20, on the second page, at the bottom, are certain figures opposite the title "earned surplus." That is corporate surplus of the Deep Rock Oil Corporation and its subsidiaries, as shown by their books. The amount of the Deep Rock's indebtedness to the Standard at the time these dividends were declared is shown on those sheets on page 2, liability sheet, due proprietary company, which means the Standard. On Claimant's Exhibit 16, second page, under the head of "Liabilities," five-year six per cent, gold notes 1931, $4,250,000, that is one note.

I am assistant secretary and assistant treasurer of the Refining Company. I believe I have occupied that position ever since the company was organized in 1923. The Refining Company has its office with the Deep Rock. Such offices as they have they have always maintained in the same building and in the same room as Deep Rock.

Q. Who is president of the Refining Company? A. At this time?

Q. Yes. A. Well, I don't believe I can answer that right now.

Q. Mr. John L. Gray was vice-president in 1925? A. I believe that is correct.

Q. Did he remain vice-president up until his resignation in 1933? A. I think that is correct.

Q. You don't remember who the president was during that time? A. I could not say without looking it up.

Mr. Gray as vice-president of the Refining Company did not draw any salary from the Refining Company. He did draw salary from the Deep Rock. I didn't draw any salary as assistant treasurer and assistant secretary of the Refining Company. I drew a salary from the Deep Rock. The Refining Company didn't pay any of its officers salaries. It didn't have any employees. All the salaries of the Refining Company were paid by the Deep Rock and that has continued since the Refining Company was organized. The Refining Company had no bank account. Its properties were leased to the Deep

Rock and they had no income other than the rental. Those rentals were not paid in cash. The Deep Rock's books show the interest charged against it by the Standard on open account. The interest would be computed on average daily balances that the Deep Rock was indebted to the Standard, submitted to the Deep Rock, it would be figured, c eck submitted to the Deep Rock and if found correct, credit was given to Standard. The Refining Company was indebted to the Deep Rock as of February 28, 1933, in the amount of $552,-283.01. That represents the net difference between sums advanced by the Deep Rock from time to time for improvements and additions to the property owned by the Refining Company, after deducting from such advances the amount of retirements made from the Refining Company's property. The Refining Company constructed some additional cracking stills in 1930. The actual cash payments for those stills were made by the Deep Rock and charged to the account of the Refining Company. The Refining Company's books did not carry any charge against the Deep Rock for depletion and depreciation of the Refining Company's properties. Referring to the $552,-283.01 that the Refining Company's books show that it is indebted to the Deep Rock, the Refining Company still carries that on its books as a credit to the Deep Rock, subject to additions or deductions since receivership.

O. O. Kerr, on redirect examination by Mr. Gibson, testified:

There were no payments made by the Shaffer, or the present named company, Deep Rock, to the Refining Company for the amount of profits received by the Shaffer from the operation of the Bradstreet and cracking properties from their purchase and acquisition in 1923 up to October 1, 1925. The Deep Rock or the receivers, have made no payments to the Refining Company for the use of those properties since the appointment of the receivers on the 28th of February, 1933.

O. O. Kerr, on recross-examination by Mr. Ramsey, testified:

For the period that the Deep Rock operated the Bradstreet properties and the cracking plant up to October 1, 1925, nothing was paid by the Deep Rock to the Refining Company for the use of the properties. The Refining Company did not charge the Deep Rock on its books anything for the use and occupation of the property. The Deep Rock, on its books, did

not credit the Refining Company with anything on account of the operation of the Bradstreet properties and the cracking plant prior to October 1, 1925.

W. E. Moody was called as a witness on behalf of the claimant, and on direct examination by Mr. Gibson, testified:

I am in charge of the operation of the Deep Rock refining properties at Cushing. I am vice-president of Deep Rock in charge of refining. I have been a director since 1928. I was working at the refinery since 1917, that was before it was acquired by the Byllesby interest. The name of the company at that time was Consumers Refining Company. I joined the Byllesby Company when they bought the property. At the time of the purchase from Mr. Shaffer, the refinery consisted of a battery of crude stills and about seven re-run stills, we called them, and a wax plant and the necessary equipment that goes with that tankage; the barrelage capacity of the plant at that time was six thousand barrels. The Dubbs cracking plant was commenced in 1922 and went into operation in 1923. Its capacity was two thousand total. It was used until sometime in 1930 and they were abandoned entirely at that time. The capacity of the present cracking plant is four thousand barrels per day. The capacity of our skimming plant is ten thousand barrels crude.

I heard the testimony of Mr. Kerr this morning with regard to the making up of a statement in Chicago in February, 1930, as to the value of the plant, that is the value of the Deep Rock properties. He said that I was present and participated in that. I was in Chicago, but I don't have any recollection of being at the meeting when that was presented.

Q. Have you examined the statement which was introduced in evidence here this morning as Claimant's Exhibit 12, Mr. Moody, particularly with regard to the value placed on the refinery end of it? A. You are talking about the one that was made up December 31, 1929?

Q. Yes, sir, that is the one made up as of that date. A. What was the question?

Q. Have you examined that with reference to the valuation of the refinery properties? A. No, not until today. This is the first time I remember seeing this, today.

The cracking plant is essential to the success of the oper-

ations of the refinery because of what is known as octane gasoline, which is the anti-knock property of your gasoline, which is very much improved by the cracked product being mixed with your straight run.

W. E. Moody, on cross-examination by Mr. Martin, testified:

Q. Mr. Moody, will you examine Claimant's Exhibit 12, showing the refinery department at a cost to Consumers Refining Company of $1,764,000, and state if you know what that means. A. No, I don't know what that means, whether it is the physical valuation of a going concern, or what the basis of the figures are.

Q. Do you know whether that figure is fairly representative of the then value of the refinery? A. No, I don't.

Q. Or the cost of the refinery? A. No, I don't.

Q. You have had considerable experience in construction work and construction of refineries and operating refineries, have you not? A. Yes, sir.

Q. What would you say was the value of the refinery *as* the time that the Shaffer took it over in 1919? A. I could not make a statement without going into the records and figuring it up.

Additions were made to the refinery between 1919, when it was acquired by the Shaffer, and 1922, when the construction work started on the pressure stills. I believe there was some fractionating equipment added to the crude battery over that period, at a cost of in the neighborhood of $50,000. I was consulted with reference to the advisability of constructing pressure stills in connection with the refinery. We went up to the Chicago office and Mr. Stair sat in. As I understood it, he was connected with the Byllesby interests. He seemed to have to do with the financial end, from what I gather. An engineer named Henry Grenacher consulted with us with regard to the construction of the stills. He was with Byllesby. We set up figures showing what the expected earnings would be from the installation of these stills. I was not advised as to who was going to construct the stills, that is who was going to pay for the cost of installing these stills. I didn't know anything about that at all. I didn't know anything about the financial arrangements at all at that time. The land on which they proposed to build the stills belonged to the Shaffer, it was at that time. It is clear in my mind that there was an

arrangement for transfer of the plots of ground where this was to be, transfer to R. J. Graf, Trustee. The whole thing must have involved, I would say twenty-five or thirty acres. The entire acreage occupied by the refinery and by the appurtenances in connection with the refinery at that time was approximately 400 acres. Of that the proposal was to convey approximately 25 acres to R. J. Graf, Trustee, on which the pressure stills were to be erected. I didn't know why this acreage was to be conveyed to R. J. Graf, Trustee, and these pressure stills erected on that acreage, instead of the title remaining in the Shaffer. I didn't have anything to do with that end of it. These pressure stills are used in connection with the refinery. The pressure stills were really just an adjunct to the refinery. Universal Oil Products Company were in charge of the construction work and they worked men hired by the refinery, I believe is the way the thing was handled, but they were responsible for the construction. They took care of the purchasing of the parts that made up the stills. The engineering of the stills proper was attended to by the Universal Oil Products Company, but the auxiliary equipment was engineered by the Shaffer engineers and H. M. Byllesby and Company engineers. The engineer of H. M. Byllesby, Henry Grenacher, was there advising with us, largely in an advisory capacity. The Shaffer had its own engineer there, Mr. P. C. Van Gilst. I would say that Grenacher spent at least fifty per cent of his time right there at the refinery. The services rendered by Mr. Grenacher were in connection with the auxiliary equipment, and not in connection with the stills proper. By auxiliary equipment I mean re-run stills, treating plants, things of that kind that were constructed at the same time the stills were being constructed. Universal had nothing to do with that. Auxiliary equipment cost $276,065.95. That auxiliary equipment was constructed on the same property that was deeded to R. J. Graf, Trustee. The installation and construction of the stills in 1930 was also handled under the supervision of the Universal Oil Products Company. We used the same auxiliary equipment in connection with this 1930 installation that we had been using with the other stills. There was no engineering work performed in connection with the construction of these stills in 1930, except that performed by the Universal Company. Byllesby and Company didn't have any men on the job at that time in 1930.

Q. Was there any auxiliary work of any kind done at the time of the construction of these stills in 1930, or any auxiliary equipment of any kind, aside from the treating plant and other auxiliary equipment to which you referred? A. No.

I was on the board of directors of the Shaffer in 1928; also in the year 1930.

Q. Were you familiar with the rental contract under which these pressure stills were being operated by the Deep Rock Oil Corporation from R. J. Graf, Trustee, or rather from the Shaffer Oil and Refining Company? A. Well, I knew there was a rental paid, but I didn't know the details of it.

Q. You did not know the amount of it, did you? A. I did from seeing certain statements.

Q. Just from what you saw of the earning statements? A. Yes, sir.

Q. You have no information, then, as to what rental was being paid by the Shaffer Oil and Refining Company for the use of these stills, except what you saw on the earning statements? A. That is right.

Q. You were never consulted with reference to the amount of rental to be paid, were you? A. You mean when the first contract was made?

Q. Yes. A. No.

I was not consulted when the second contract was made. The cost of the pressure stills that were constructed in 1922 was $318,906.50, that is the pressure stills proper. The cost of the auxiliary equipment constructed for use in connection with the pressure stills was $276,065.95. There were additional expenditures by way of improvements and enlargements made in connection with the pressure stills and the auxiliary equipment between 1922 and October 1, 1925. Hot oil pumps were installed in June, 1925, at a cost of $32,685.24. There was another unit placed in operation in July, 1925, at a cost of $107,010.29. That makes the total cost of the original four units, plus any other auxiliary equipment, plus the reaction chamber plus the additional cracking unit No. 5, and plus the hot oil pumps, $734,667.98. There was what we call a re-run still put into operation in December, 1925 at a cost of $28,031.06. I don't know the date of the construction of the experimental stills. They were known as the Emerson still and one of the firm was on the job all the time they were

being installed. They were constructed as an incident to the refinery, to be operated in connection with the refinery. They cracked gas oil which was produced in the refinery. They were constructed on this same land that afterwards was conveyed to R. J. Graf, Trustee, on the same ground that the cracking plant now occupies.

W. E. Moody, on re-direct examination by Mr. Gibson, testified:

I don't know who paid for the new still built in 1930. To my knowledge, the apparent paper title was never in Deep Rock.

O. O. Kerr was recalled as a witness on behalf of the Claimant, and on direct examination by Mr. Gibson, testified:

I have made up from the books of the Deep Rock a statement showing the gross earnings, operating expenses, and net earnings before rental of the so-called Bradstreet property and the pressure stills covering the period from March 1, 1933, to the end of April, 1934. This is claimant's Exhibit 21. This statement reflects the gross earnings and operating expenses, net operating earnings before depreciation, abandonment losses or rental and includes both the producing and the pressures still departments. Beginning at the bottom of the three sheets attached together as Claimant's Exhibit 21, the gross earnings of the Bradstreet Department would refer to the producing end of it, and includes property other than that originally purchased, additions made in the new field to the north. (Claimant's Exhibit 21, offered in evidence).

W. E. Moody, on cross-examination by Mr. Ramsey, testified:

Q. Mr. Kerr, this morning I requested you to examine the records of the Deep Rock and be prepared to testify this afternoon as to what payment, if any, the Deep Rock had made direct to the Management Corporation for management fees or any other. A. There have been no payments to the Management Corporation for management fees.

The accounts carried on the ledger of the Deep Rock with the Management Company do not reflect any cash payments. There may have been, in years gone by, some cash payments to reimburse the Management Corporation for cash out of

pocket paid by them that did not clear through the account. The Refining Company, from my examination of its books, declared and paid dividends. I think there was one every month from October, 1925, perhaps the first dividend might have covered a period of about three months. The Deep Rock, under their rental contract with the Refining Company, would, each month credit the Refining Company with the amount of rental, take in into its own expense, and on the Refining Company books they would take this amount of rental in their rental account, charging the Deep Rock. The Refining Company would then declare dividend out of their earnings, crediting the Standard. That left credit on the Refining Company books to the Standard, charged to the Deep Rock. On the Deep Rock books was a credit to the Refining Company, then each month that balance on the Deep Rock books, representing a credit to the Refining Company, was transferred to the Standard.

I presume the board of directors of the Refining Company devised that method of declaring dividends and handling the distribution.

(Claimant's Exhibits 22 and 64, being letters representing correspondence between the Shaffer and Deep Rock and the officers of Standard in regard to advances of money, admitted in evidence.)

George W. Knourek Answered Interrogatories Submitted By Counsel for the Trustee as Follows:

On December 31, 1925, Standard owned $1,196,900 par value Deep Rock preferred stock out of a total of $14,000,000 issue, 40,000 shares of Class A Deep Rock common stock without par value, and 118,000 shares of common stock without par value out of 160,000 shares; there were 2,000 shares of Deep Rock's common stock owned by individuals on December 31, 1925. Standard's December 31, 1926 annual report, page 21 shows there was outstanding 168,464 shares of Deep Rock common stock, of which 158,000 shares were owned by Standard. The Common Stock stockholders, other than Standard, held only a total of 10,464 shares of Deep Rock Common Stock at that date. Among the individual stockholders the following persons owned the amount of common stock set opposite their names:

John L. Gray	4702 shares
R. K. Huey	627 "
J. C. Kennedy	627 "
B. L. Majewski	627 "
W. E. Moody	627 "
W. R. Francisco	627 "
L. B. Riddle	627 "
M. A. Morrison	182 "

On December 31, 1927, individuals owned 19,552 shares of Deep Rock's common stock. Among the individual stockholders the following persons owned the amount of common stock set opposite their names:

W. R. Francisco	1423 shares
John L. Gray	9478 "
R. K. Huey	1423 "
J. C. Kennedy	859 "
B. L. Majewski	1423 "
W. E. Moody	1423 "
M. A. Morrison	182 "
L. B. Riddle	1423 "

Standard's December 31, 1928 annual report, page 23, shows the total outstanding issue of Deep Rock's preferred stock was 50,000 shares, without par value, of which the Standard owned 1,969 shares and the public owned 48,031 shares. The 48,031 shares of no par value Deep Rock preferred stock were issued in April, 1928, in exchange for a like number of shares of $100.00 par value preferred stock. The $100.00 par value preferred stock was a part of the original issue of 110,000 shares of preferred stock issued as part of the purchase price of the C. B. Shaffer properties. The time when sold and the amount received for the 48,031 shares are not recorded in the Standard's records and are unknown to me. Standard's December 31, 1927 annual report, reports Standard the owner of 158,000 shares of Deep Rock common stock without par value, and Standard's December 31, 1928 annual report, page 23, reports Standard the owner of 560,448 shares of Deep Rock common stock without par value.

On December 31, 1927, the Standard owned $9,196,900.00 of $100.00 par value Deep Rock preferred stock, 40,000 shares of Class A common stock and 118,000 shares of common stock, and on March 27, 1928, exchanged its 40,000 shares of

Class A common for 40,000 common, no par value. On April 12, 1928, the Standard received from Deep Rock 222,448 shares of no par value common stock as a credit on Deep Rock's indebtedness to it, at the rate of $50.00 per share; also on April 12, 1928, Standard surrendered to Deep Rock $9,000,000 par value preferred stock of Deep Rock for 180,000 shares of Deep Rock common stock; also on April 12, 1928, Standard exchanged $196,900. of $100.00 par value Deep Rock preferred stock for 1969 shares of no par value preferred stock. The $4,803,100.00 par value Deep Rock preferred stock held by the public was exchanged for no par value preferred stock. The Standard owned $9,000,000 of par value preferred stock of Deep Rock which it exchanged for 180,000 shares of Deep Rock common stock.

On February 21, 1929, the Standard sold 1,000 shares of no par value Deep Rock preferred stock for $99,027.78 cash plus accrued dividends, leaving Standard the owner of 969 shares of preferred.

On March 31, 1928 (the nearest date prior to the amendment of Deep Rock's Articles of Incorporation, (April 12, 1928) on which a list of stockholders is available), there were 1637 preferred stockholders owning a total of 48,031 shares of $100.00 par value preferred, which was exchanged for an equal number of no par value preferred stock on April 12, 1928.

The first item of charges in Exhibit A to Standard's claim, to-wit, $17,473,478.05, does not include any advances for the purchase of the original Bradstreet properties; that item represents advances made to Deep Rock by Standard and placed in Deep Rock's general funds and the Standard's records do not disclose its disposition. The consideration paid by Standard for the original Bradstreet properties is evidenced by records, copies of which appear in this record as "Exhibit A of Knourek's Interrogatories."

(Note: Exhibit A to the witness' answer is composed of a photostat copy of five checks drawn by Standard on its account in the Continental & Commercial National Bank of Chicago, Illinois, the first check being payable to Bradstreet Oil Company, dated February 14, 1923, in the sum of $100,000.00, signed by Herbert List and countersigned by Wm. G. Pohl; the second check being payable to Bradstreet Oil

Company, dated March 5, 1923, in the sum of $125,000.00, signed by M. A. Morrison and countersigned by Wm. G. Pohl; the third check being payable to Bradstreet Oil Company, dated March 5, 1923, in the sum of $125,000.00, signed by M. A. Morrison and countersigned by Wm. G. Pohl; the fourth check being payable to Bradstreet Oil Company, dated March 5, 1923, in the sum of $100,000.00, signed by M. A. Morrison and countersigned by Wm. G. Pohl; and the fifth check being payable to J. C. Kennedy, Trustee, in the sum of $50,000.00, dated March 5, 1923, signed by M. A. Morrison and countersigned by Wm. G. Pohl. These checks were duly endorsed by the payees and paid by the bank. Exhibit A also contains two pink slips bearing the printed letterhead and address of the Standard, and numbered 2857 and 2897, respectively, both addressed to the Shaffer under date of March 8, 1923, and signed by Robert J. Graf, Treasurer. One informs the Shaffer that "We have this day credited your account as per the following accounting: Amount we have today credited to your account, covering proceeds of your note dated March 8th, 1923, in favor of the Bradstreet Oil Company due June 6, 1923, for account of J. C. Kennedy, Trustee, $100,000.00", and the other slip informs the Shaffer that "We have this day credited your account as per the following accounting: Amount we have today credited to your account, covering proceeds of your note dated March 8, 1923, in favor of the Bradstreet Oil Company, due June 6, 1923, for the account of J. C. Kennedy, Trustee, $50,000.00").

Thus, the Deep Rock paid $150,000.00 of the consideration for the Bradstreet properties by issuing its notes for $150,000.00, which Deep Rock subsequently paid. Standard credited Deep Rock open account for $150,000 as evidenced by the above credit memos, in consideration for the issuance by Deep Rock of its notes totaling $150,000 in favor of Bradstreet Oil Company as part payment for the properties. Standard charged this $150,000 to J. C. Kennedy, Trustee account, along with the balance of the purchase price of $500,000 paid by Standard, thus recording the total cost of $650,000 in this account which represented its total advances for the properties held by J. C. Kennedy, Trustee. I know of no express authority for the charging of the $150,000 to J. C. Kennedy, Trustee. This charge was an ordinary matter of accounting for moneys advanced by Deep Rock for J. C.

Kennedy, Trustee, and repaid by Standard to Deep Rock by giving credit for like amount.

The 15th item of charges in Exhibit A to Standard's claim, to-wit, $4,819,222.07, entitled "Interest on open account balances" represents the total interest on open account balances charged to Deep Rock, and of that total interest charged, Deep Rock paid in cash the sum of $922,432.83, which is shown in the credit column of Exhibit A to Standard's claim. The aforesaid item of $4,819,222.07 represents the total interest on open accounts charged to Deep Rock and does not include interest on Deep Rock's notes to Standard. Interest on daily balances in open account was computed and charged to the open account monthly at the rate of 7% per annum, during the entire period. Interest on Deep Rock notes to Standard (excluding notes discounted by Standard) is shown separately as the 16th item in the debit column of Exhibit A to Standard's claim. Interest paid by Standard on Deep Rock notes discounted is shown as the 5th item in the debit column of Exhibit A to Standard's claim.

The 16th item in the debit column of Exhibit A to Standard's claim, to-wit, $184,087.93, represents interest on Deep Rock notes owned by Standard as follows:

Date	Principal	Maturity	Interest Rate	Where Payable
Oct. 1, 1922	$400,000.00	Oct. 1, 1923	8%	New York Trust Co., N. Y.
Dec. 1, 1922	350,000.00	Dec. 1, 1923	8%	New York Trust Co., N. Y.
Oct. 1, 1923	400,000.00	Oct. 1, 1924	8%	Unknown
Dec. 1, 1923	350,000.00	Dec. 1, 1924	8%	Unknown
Oct. 1, 1924	400,000.00	Oct. 1, 1925	8%	Unknown
Dec. 1, 1924	350,000.00	Dec. 1, 1925	8%	Office of Standard G.&E.Co.
Oct. 1, 1925	400,000.00	Oct. 1, 1926	8%	Office of Standard G.&E.Co.

The cancelled notes are in possession of Deep Rock in Tulsa or officers of Deep Rock in Chicago. The original notes dated 10/1/22 and 12/1/22 were renewed upon their maturity by new notes, which were likewise renewed and on November 7, 1925 the notes dated 12/1/24 and 10/1/25 were cancelled by charges to open account with Deep Rock.

The 17th item in the debit column of Exhibit A to Standard's claim, to-wit, $331,500.00, was interest paid up to April 12, 1928, on the Deep Rock's December 31, 1926 five year six per cent note executed to Standard for the sum of $4,250,000.00. The $331,500.00 was not paid in cash but was paid and wiped

out by the Standard's purchase of 222,448 shares of Deep Rock's common stock in the April 12, 1928 settlement. Also Deep Rock's $4,250,000.00 five year six per cent note dated December 31, 1926, to Standard, was satisfied and due credit given to Deep Rock by Standard in the April 12, 1928, settlement in which the Standard credited Deep Rock with $11,122,400.00 which extinguished the aforesaid note and the open account of $6,872,400.00 against Deep Rock. The interest on the $4,250,000.00 note aforesaid was payable quarterly. Interest on open account was computed on actual daily balances, (either debit or credit) in the account from the 24th of one month to the 24th of the next month at the rate of seven per cent per annum.

I have prepared a detailed analysis of the item of "Sundry Expenditures", aggregating $1,087,569.57, shown as the 14th item on page 1 of Exhibit A to Standard's claim, which appears in this record as "Exhibit X of Knourek's Interrogatories."

Standard charged Deep Rock with a total of $600.00 at the rate of $100.00 a year for services rendered by Haskins & Sells for making out federal income tax returns for the years 1926 to 1931, inclusive. No similar charges were made prior or subsequent to those years for such services.

In my former testimony, I testified that on October 1, 1922, Standard received on account Deep Rock's promissory note in the sum of $400,000.00, due October 1, 1923, with interest at 8 per cent per annum, and that this note was renewed each year on the same terms up to November 7, 1925, when it was cancelled and the amount thereof charged to open account. The eight per cent interest on this Deep Rock $400,000.00 note of October 1, 1922, to Standard was charged to open account monthly against Deep Rock and interest was similarly charged on Deep Rock's $350,000.00 eight per cent note, and if not paid constituted a part of the balance of open account on which interest was charged at the rate of 7% per annum. Interest on amounts Standard paid to or credited H. M. Byllesby & Company and the Management Corporation and charged to Deep Rock's open account was due from the date of the entry of the charge. The months in which such charges were made and the amounts thereof are shown in the analysis of the Management Corporation charges to Deep Rock which were transferred to Standard, which appears in this record

as "Exhibit C of Knourek's Interrogatories", and in the "Analysis of Cash advanced for Sundry Expenditures", which appears in this record as "Exhibit X of Knourek's Interrogatories."

The interest on all items charged and credited by Standard to Deep Rock's open account was computed from date of such charges and credits at the rate of seven per cent per annum on daily balances in the account. The interest on the $277,475.00 paid by Standard to H. M. Byllesby & Company for the 11,000 shares of Utility Industrial Corporation preferred stock was computed in the same manner as all other charges and credits to the Deep Rock open account. Standard paid the Management Corporation the sums included in items 20 and 21 of the debit column of Exhibit A to Standard's claim, entitled "Sundry Charges", $230,463.16, and "Supervision Fees", $1,219,034.83, by giving the Management Corporation credit for those amounts on open account. Practically all transactions with the Management Corporation were handled through open account.

(Note: Witness being asked to produce all cancelled and paid notes in Standard's possession executed by Deep Rock to Standard or discounted by Standard, attached as Exhibit B to his answers, not included in this record, photostat copies of 29 promissory notes. These notes were executed by Deep Rock (then under the name of Shaffer Oil and Refining Company) to Standard, as follows:

1. Dated December 1st, 1924, in the sum of $350,000.00, maturing December 1, 1925, eight per cent interest per annum. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by H. C. Cummins, Vice-President.

2. Dated March 1st, 1924, in the sum of $100,000.00, maturing ninety days from date, six per cent interest per annum after maturity. The Deep Rock's name was signed by M. A. Morrison, Assistant Treasurer, and countersigned by Arthur S. Huey, Vice-President.

3. Dated May 30th, 1924, in the sum of $100,000.00, maturing ninety days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by M. A. Morrison, assistant treasurer, and countersigned by Arthur S. Huey, Vice-President.

4. Dated August 28, 1924, in the sum of $100,000.00, maturing ninety days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by P. A. Lehmkuhl, Assistant Treasurer, and countersigned by Arthur S. Huey, Vice-President.

5. Dated November 26, 1924, in the sum of $100,000.00, maturing ninety days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by P. A. Lehmkuhl, Assistant Treasurer, and countersigned by H. C. Cummins, President.

6. Dated February 24, 1925, in the sum of $100,000.00, maturing ninety days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by P. A. Lehmkuhl, Assistant Treasurer, and countersigned by H. C. Cummins, President.

7. Dated May 25th, 1925, in the sum of $100,000.00, maturing ninety days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by M. A. Morrison, Assistant Treasurer, and countersigned by H. C. Cummins, Vice-President.

8. Dated August 24, 1925, in the sum of $100,000.00, maturing ninety-one days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by W. R. Francisco, Treasurer, and countersigned by John L. Gray, Vice-President.

9. Dated October 1, 1925, in the sum of $400,000.00, maturing on or before October 1, 1926, eight per cent interest per annum after date. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by R. J. Graf, Vice-President.

10. Dated November 23, 1925, in the sum of $100,000.00, maturing ninety days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by F. C. Gordon, Vice-President.

11. Dated February 23, 1926, in the sum of $100,000.00, maturing ninety days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Herbert List, Assistant Secretary, and countersigned by M. A. Morrison, Treasurer.

12. Dated August 23, 1926, in the sum of $100,000.00, maturing ninety days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Wm. G. Pohl, Assistant Treasurer, and countersigned by B. W. Lynch, Vice-President.

13. Dated November 22, 1926, in the sum of $100,000.00, maturing ninety days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by M. A. Morrison, Assistant Secretary.

14. Dated December 31, 1926, in the sum of $4,250,000.00, maturing on December 31, 1931, six per cent interest per annum, after date, payable quarterly. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by B. W. Lynch, Vice-President.

15. Dated February 21, 1927, in the sum of $100,000.00, maturing ninety days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by M. A. Morrison, Assistant Secretary.

16. Dated May 23, 1927, in the sum of $100,000.00, maturing ninety-one days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by Wm. G. Pohl, Assistant Secretary.

17. Dated August 22, 1927, in the sum of $100,000.00, maturing ninety-one days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by M. A. Morrison, Assistant Secretary.

18. Dated November 21, 1927, in the sum of $100,000.00, maturing ninety-one days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by M. A. Morrison, Assistant Secretary.

19. Dated February 20, 1928, in the sum of $100,000.00, maturing ninety-one days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by R. J. Graf, Vice-President.

20. Dated May 21, 1928, in the sum of $100,000.00, maturing ninety-one days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by E. J. McKay, Vice-President.

21. Dated August 20, 1928, in the sum of $100,000.00, maturing ninety-one days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by E. J. McKay, Vice-President.

22. Dated November 19, 1928, in the sum of $100,000.00, maturing ninety days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by E. J. McKay, Vice-President.

23. Dated February 18, 1929, in the sum of $100,000.00, maturing ninety days after date, six per cent interest per annum after date. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by E. J. McKay, Vice-President.

24. Dated May 20, 1928, in the sum of $100,000.00, maturing ninety days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by E. J. McKay, Vice-President.

25. Dated August 19, 1929, in the sum of $100,000.00, maturing ninety days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by E. J. McKay, Vice-President.

26. Dated November 18, 1929, in the sum of $100,000.00, maturing ninety-one days after date, six per cent interest per annum after date. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by E. J. McKay, Vice-President.

27. Dated February 17, 1930, in the sum of $100,000.00, maturing ninety-one days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by E. J. McKay, Vice-President.

28. Dated May 19, 1930, in the sum of $100,000.00, maturing ninety-one days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by J. J. Madden, Assistant Treasurer, and countersigned by E. J. McKay, Vice-President.

29. Dated August 18, 1930, in the sum of $100,000.00, maturing ninety-one days after date, six per cent interest per annum after maturity. The Deep Rock's name was signed by J. J. Madden, Assistant Treasurer, and countersigned by E. J. McKay, Vice-President.

The Deep Rock paid $300,000.00 on rentals for the Bradstreet properties during the year of 1928 as follows: On the last day of each month during the year 1928 Standard charged Deep Rock with the amount of the open account balance due Standard from the Refining Company covering the assumption of said account by Deep Rock. During the year 1928 Standard received checks from Deep Rock in payment of these charges aggregating $300,000.00 covering the months of May to October, inclusive.

(Note: These char s against Deep Rock represented the $50,000.00 monthly rental arising under the lease from the Refining Company, shown by Exhibit A and B attached to the Trustee's amended objections to Standard's claim. Standard received Deep Rock's checks for $50,000.00 each on June 9, July 16, August 9, October 1, November 15, and December 3, 1928).

The Deep Rock, in the year 1932, paid to Standard by checks rentals on the Refining Company lease as follows:

Date of Charge	Date of Receipt of Check	In Payment of Above Charges	In Payment of Other Charges	Total Amount of Check
11-30-32	11-30-32	$ 50,000.00	$ 55,489.83	$105,489.83
12-31-32	12-31-32	50,000.00	53,829.00	103,829.00
		$100,000.00	$109,318.83	$209,318.83

Standard received checks from Deep Rock for rentals in 1933 as follows:

Date of Charge	Date of Receipt of Check	In Payment of Above Charges	In Payment of Other Charges	Total Amount of Check
1-31-33	1-31-33	$ 50,000.00	$ 55,631.11	$105,631.11
2-28-33	2-27-33	50,000.00	55,631.11	105,631.11
		$100,000.00	$111,262.22	$211,262.22

None of the rental payments made by Deep Rock in 1928 totaling $300,000.00, the payments made in 1932, totaling $100,000.00, and the payments made in 1933, totaling $100,000.00 were earmarked by Deep Rock as rental payments. Those payments made in 1928 were earmarked "in settlement of Invoice Number.....and the date thereof", the payments for 1932 and the first one 1933 were drawn by the Deep Rock Chicago officers and were issued specifically in payment of the invoices rendered by Standard for assumption of the Refining Company open account and interest charges on Deep Rock open account, and Deep Rock's check received by Standard on February 27, 1933, for $50,000.00 was earmarked "on account" and was applied in the same manner as payments made in the three preceding months. Also, during the period from October 1, 1925 to April 12, 1928, Standard charged Deep Rock with an aggregate amount of $1,575,000.00, which was the aggregate of the $50,000.00 monthly rentals accrued during that period and owed by Deep Rock to the Refining Company, which Standard had paid the Refining Company for Deep Rock by transfer of open account balances due Standard from the Refining Company.

Standard did not have on its records an account against R. J. Graf, Trustee, for any matters pertaining to the Deep Rock or the Refining Company. In February, 1923, Standard opened an account against J. C. Kennedy, Trustee.

The amount of the $50,000.00 per month rentals accruing under the October 1, 1925 Deep Rock lease from the Refining Company to April 12, 1928, and included in the $6,872,400.00 Standard open account balance against Deep Rock paid by the issuance to Standard of 222,448 shares of Deep Rock Common stock in 1928 was $1,575,000.00.

Although it is not clear from my testimony what disposition was made of H. M. Byllesby and Company's statement on account for expenditures made for Deep Rock over the period from July 1, 1919 to April 30, 1921, for a balance of $107,850.49, in the absence of the details comprising the total of $107,850.49 I am unable to say whether or not any part of said total was charged to Standard by H. M. Byllesby & Company or whether any book entries were made.

Of the total interest charges of $4,819,222.07 shown by the 15th item in the debit column of Exhibit A to Standard's

claim the sum of $504,590.95 was interest charges constituting item 26 in the debit column of Exhibit A to Standard's claim, entitled therein "Deep Rock Oil and Refining Company rentals", to-wit, $4,525,000.00. This computation was made at the rate of seven per cent per annum compounded monthly on the balances of such charges unpaid at the end of each month. In figuring this compound interest cash payments actually received in payment of these specific charges were applied against the charges as of the date of receipt. It was also necessary to assume that such charges were fully liquidated at December 31, 1926 when Standard acquired Deep Rock's five year six per cent $4,250,000.00 note which, less discount, was credited to Deep Rock's open account, and again that Deep Rock's open account was paid by the April 12, 1928 transaction with Standard whereby the Standard acquired 222,448 shares of Deep Rock's common stock in liquidation of Deep Rock's indebtedness to Standard.

The interest computed and charged at the rate of seven per cent per annum on daily balances for Refining Company rentals accruing and charged by Standard against Deep Rock from April 12, 1928 to February 24, 1933, totaled $450,538.30. Standard made no charges for interest against the Refining Company on its open account with Standard.

In my former testimony I stated that in July, 1926, Standard charged Deep Rock with the sum of $525,000.00 owing by Deep Rock to the Refining Company for rentals up to June 30, 1926. The Standard charged interest at the rate of 7 per cent per annum on daily balances, compounded on the $525,000.00 rentals from July 31, 1926. For the last six months of the year 1926 the Standard charged Deep Rock at the end of each month with $50,000.00 on which it charged seven per cent interest on daily balances. Standard made no charges for interest against the Refining Company on its open account with Standard, but did charge interest on the Refining Company's note for $1,894,592.11 in favor of Standard at seven per cent per annum from January 1, 1931.

In my testimony I stated that the $1,894,592.11, the last item on the credit sheet of Exhibit A to Standard's claim, represented advances the Deep Rock made for extensions and developments of the Bradstreet properties and the construction and development of the cracking plant from the early part of 1923 to October 1, 1925. The credit of this item to

Deep Rock's open account of $1,894,592.11 was entered in Standard's records in December, 1925, as of October 1, 1925, and interest on the open account was adjusted in accordance with this entry. This item of $1,894,592.11, when credited to Deep Rock open account by Standard, was offset by a charge to an open account against the Refining Company; this account against the Refining Company remained on Standard's books until July, 1927, when Standard entered in its records the receipt of a note executed by the Refining Company for $1,894,592.11 in favor of Standard, dated December 31, 1926, due on demand, without interest; the note was executed to Standard by the Refining Company in liquidation of the Refining Company's open account indebtedness to Standard. A new note for the $1,894,592.11 dated January 1, 1931, bearing seven per cent interest per annum, due on demand, was executed by the Refining Company to Standard in lieu of the December 31, 1926 note for that sum. I am informed this note is payable at the offices of the Standard in Chicago and bears no endorsement except the receipt of $12,500.00 as of December 30, 1933, which was applied as a credit on the principal amount thereof. I don't have a copy of the first note.

According to the Balance Sheet of the Refining Company, the amount due Deep Rock from the Refining Company on open account at February 28, 1933, amounted to $552,253.01. I testified I believed the account represented expenditures made by Deep Rock in developing and extending the properties of the Refining Company since October 1, 1925. The details of this item should be disclosed by the Refining Company's books at Tulsa.

I refer to charge items 27 and 28, on page 2 of Exhibit A to Standard's claim, to-wit, $451,237.33, entitled "Sale of Shaffer Oil and Refining Company's 8's of 1923 to Company," and $175,000.00 entitled "Acquisition of common stock of Home Oil Company for account of Deep Rock Oil Corporation". The item of $451,237.33 represents the sale by Standard to Deep Rock on December 31, 1922 of $445,300.00 face value Shaffer Oil and Refining Company 8% Coupon notes due May 1, 1923 at $100.00 plus accrued interest of $5,937.33. These notes were dated May 1, 1921 and were acquired by Standard in September and December, 1921. Interest was paid quarterly in cash. The charge of $175,000.00 represents

the acquisition by Standard of 6,500 shares of Home Oil Company common stock from P. C. Crenshaw for the account of Deep Rock on April 25, 1924, for which Standard gave $175,000.00 face value Shaffer Oil and Refining Company 8% Convertible Notes, dated May 1, 1921, due May 1, 1941. These notes were received from Deep Rock, credit for which was given on open account as shown on the second page of Standard's claim, item #29. These notes were not held by Standard; therefore no interest was received by Standard.

Of the total interest charge of $4,819,222.07, computed at the rate of 7 per cent per annum on daily balances, $54,052.46 was attributable to and on the rental charges accruing under the October 1, 1925 lease up to April 12, 1928.

Item No. 16 in the debit column of Exhibit A to Standard's claim, to-wit, $184,087.93, less cash received in the sum of $21,666.67, leaves a balance of $162,421.26 not paid in cash. The charges composing item 16 were charged prior to April, 1926, when the open account was practically liquidated by the receipt of the proceeds from the sale of Deep Rock two year six per cent notes and the acquisition by Standard of $8,000,000 par value preferred stock of Deep Rock, and again on December 31, 1926, out of the proceeds of Deep Rock's five year six per cent $4,250,000.00 note.

Deep Rock's indebtedness to Standard on April 15, 1926, on open account was $14,853,379.57; also the Deep Rock was indebted to the Standard in the sum of $100,000.00 represented by the Deep Rock's note which Standard discounted with the National Bank of Kentucky.

A list of officers of Standard as shown in the company's annual reports for 1919, 1920, 1921 and 1922, follows:

1919 Officers

H. M. Byllesby	President
Arthur S. Huey	Vice-President
Otto E. Osthoff	Vice-President
J. J. O'Brien	Vice-President
George H. Harries	Vice-President
F. C. Gordon	Vice-President
Robert J. Graf	Secretary and Treasurer
M. A. Morrison	Asst. Secy. and Asst. Treas.
Herbert List	Asst. Secy. and Asst. Treas.

P. A. Lehmkuhl	Asst. Secy. and Asst. Treas.
R. L. Clark	Asst. Secy. and Asst. Treas.
L. M. Sage	Assistant Secretary

1920 Officers

H. M. Byllesby	President
Arthur S. Huey	Vice-President
Otto E. Osthoff	Vice-President
J. J. O'Brien	Vice-President
George H. Harries	Vice-President
F. C. Gordon	Vice-President
Robert J. Graf	Secretary and Treasurer
M. A. Morrison	Asst. Secy. and Asst. Treas.
Herbert List	Asst. Secy. and Asst. Treas.
P. A. Lehmkuhl	Asst. Secy. and Asst. Treas.
C. C. Levis	Asst. Secy. and Asst. Treas.
B. W. Lynch	Asst. Secy. and Asst. Treas.
L. M. Sage	Assistant Secretary

1921 Officers

H. M. Byllesby	President
Arthur S. Huey	Vice-President
Otto E. Osthoff	Vice-President
J. J. O'Brien	Vice-President
George H. Harries	Vice-President
F. C. Gordon	Vice-President
C. C. Levis	Vice-Pres. and Asst. Secy.
Robert J. Graf	Secretary and Treasurer
M. A. Morrison	Asst. Secy. and Asst. Treas.
Herbert List	Asst. Secy. and Asst. Treas.
P. A. Lehmkuhl	Asst. Secy. and Asst. Treas.
B. W. Lynch	Asst. Secy. and Asst. Treas.
L. M. Sage	Assistant Secretary

1922 Officers

H. M. Byllesby	President
Arthur S. Huey	Vice-President
J. J. O'Brien	Vice-President
George H. Harries	Vice-President
B. W. Lynch	Vice-President
F. C. Gordon	Vice-President
C. C. Levis	Vice-Pres. and Asst. Secy.
Robert J. Graf	Secretary and Treasurer

M. A. Morrison	Asst. Secy. and Asst. Treas.
Herbert List	Asst. Secy. and Asst. Treas.
P. A. Lehmkuhl	Asst. Secy. and Asst. Treas.
William G. Pohl	Asst. Secy. and Asst. Treas.
L. M. Sage	Assistant Secretary
J. J. Madden	Assistant Secretary

With respect to the 21st item in the credit column of page 3 of Exhibit A to Standard's claim, entitled "Extensions and additions to properties of Deep Rock Oil and Refining Company, $1,894,592.11", the facts are these: As of March 22, 1923, Deep Rock purchased from J. C. Kennedy, Trustee, 8,325 shares of the Refining Company's capital stock for a consideration of $649,999.00, then took a lease from the Refining Company on its properties and received from these properties the full earnings, paying all expenses and advancing funds for additions and betterments, no other consideration being paid. In payment for the above stock of the Refining Company the Deep Rock credited the open account of J. C. Kennedy, Trustee, with the sum of $649,999.00. At this point Deep Rock owed J. C. Kennedy, Trustee, on open account $649,999.00, and J. C. Kennedy, Trustee, owed Standard on open account $650,000.00, and accordingly entries were recorded by Standard covering the transfer of $649,999.00 of open account due it from J. C. Kennedy, Trustee, to Deep Rock and Deep Rock charged J. C. Kennedy, Trustee, with like amount hereby eliminating the indebtedness due from Deep Rock to J. C. Kennedy, Trustee. All the above transactions were recorded in December, 1925, as of March 22, 1923. On October 1, 1925, Standard purchased from Deep Rock the 8,325 shares of capital stock of the Refining Company for $649,999.00 by credit to open account. This transaction was entered in Standard's records in December, 1925, as of October 1, 1925.

Standard charged interest on the $649,999.00 referred to in items 30 and 31 on page 2 of Exhibit A to Standard's claim. Interest on Standard's open account balances against J. C. Kennedy, Trustee, was charged to J. C. Kennedy, Trustee, monthly at the rate of 7% per annum from the dates of the advances in February and March 1923 until March 24, 1924, and on March 29, 1924, the accumulated amount of interest so charged to J. C. Kennedy, Trustee, account during that period was transferred by charge to Deep Rock open account.

From March 24, 1924 to October 1, 1925 interest on the J. C. Kennedy, Trustee, account was charged directly to Deep Rock open account on the same basis. As a result of the entries entered in Standard's records in December, 1925, whereby Standard acquired the 8,325 shares of capital stock of the Refining Company as of October 1, 1925, no further charges for interest on the $650,000.00 were made to Deep Rock.

It appears from a memorandum furnished by Mr. B. W. Lynch that the Standard's open account balance against the Deep Rock on February 24, 1928, was $6,836,195.85. In the minutes of the Directors meeting of the Deep Rock of April 11, 1928, it is stated that the Chairman "stated to the meeting that this company was indebted to Standard in the amount of $11,122,400.00, $4,250,000.00 of which was represented by six per cent gold note of this company due December 31, 1931, and the remaining $6,872,400.00 of which was owing on open account." I have prepared an itemized statement of the debits and credits composing the Standard's open account against the Deep Rock, resulting in the balance of $6,836,195.85, with the date of each debit and credit, which appears in this record as "Exhibit Y of Knourek's Interrogatories." (To save repetition of work already done, I omit specific items composing (a) the 14th item of Exhibit A to Standard's claim designated "Sundry Expenditures" and in lieu thereof use the total shown by "Exhibit X of Knourek's Interrogatories," from June 1919 down to February 24, 1928, and also omit (b) repeating items in "Exhibit C of Knourek's *Interrogatoreis*", and in lieu thereof use the total balance charged in said Exhibit C from June 1919 down to and including the item of $20,000.00 supervision fee charged February, 1928).

On January 24, 1927, Standard credited Deep Rock with the sum of $8,848.30 representing interest on daily credit balances in favor of Deep Rock against Standard for the period from December 24, 1926, to January 24, 1927. During all other periods when interest was computed the accounts showed debit balances and accordingly interest was charged. Standard acquired the $8,000,000 par value of Deep Rock's preferred stock from the Deep Rock on April 16, 1926, at $90.00 per share, plus accrued dividends, or $7,223,333.33, which sum was credited the Deep Rock by Standard in partial satisfaction of Standard's open account against Deep Rock.

The items composing the total of $1,575,000 charged by

Standard to the Refining Company open account and credits for like amounts made thereto, during the period October 1, 1925 to April 12, 1928, are as follows:

Date			
Dec. 31, 1925	Dividend on Capital Stock	$ 225,000.	
July 31, 1926	Dividend on Capital Stock	300,000.	
July 31, 1926	Balance transferred to Deep Rock Oil Corporation		$ 525,000.
7/31/26 to 3/31/28	Dividends on Capital Stock charged monthly on the last day of each month at the rate of $50,000 per month	1,050,000.	
7/31/26 to 3/31/28	Balances at end of each month of $50,000 each transferred to Deep Rock Oil Corporation		1,050,000.
		$1,575,000.	$1,575,000.

The above dividends on the Refining Company's stock were charged by Standard against Deep Rock in lieu of the Refining Company first collecting the $50,000 monthly rental under the lease and then paying it over to Standard as a monthly dividend.

Deep Rock paid the Standard during the year 1928 on Refining Company rentals under the lease the following sums on the following dates:

June 9, 1928	$50,000.00
July 16, 1928	50,000.00
August 9, 1928	50,000.00
October 1, 1928	50,000.00
November 15, 1928	50,000.00
December 3, 1928	50,000.00

After the application of these payments, there remained a balance in the open account, on each of the above dates, in favor of Standard.

During the year 1932, Deep Rock paid Standard as rentals on the Refining Company lease the sum of $100,000.00, as follows:

November 30, 1932	$50,000.00
December 31, 1932	50,000.00

After the application of these payments there remained a balance in the open account, on each of the above dates in favor of Standard. The Refining Company was given credit for the above $100,000.00 and the two $50,000.00 items were then charged by Standard to the Deep Rock which paid the same.

In July, 1926, Standard charged Deep Rock with the sum of $575,000.00 which covered the transfer of open account balances due Standard from the Refining Company, $525,000.00 covering up to June 30, 1926, and $50,000.00 for the month of July, 1926—July 31st. Interest on all charges against Deep Rock was computed from the actual date of the charge. Interest was charged on the $575,000.00 item above mentioned from July 31, 1926. As the open account indebtedness due Standard from Deep Rock on December 31, 1926, was liquidated on that date upon receipt of Deep Rock's $4,250,000.00 five year six per cent note, interest on the $575,000.00 charged Deep Rock was computed and charged only up to the date of its liquidation. The interest charged on the $575,000.00 item was $16,967.64.

The charges made by Standard to Deep Rock during the period August 31, 1926 to February 24, 1928 covering the transfer of open account balances due Standard from the Refining Company and the amounts of interest on such charges were as follows:

Date of Charge	Amount of Charge	Interest at 7% per annum compounded monthly from dates of charges to date of settlement or, if unpaid, to Feb. 24, 1928	
		Period	Amount
Aug. 31, 1926	$50,000	Aug. 31, 1926 to Dec. 31, 1926	$1,176.92
Sep. 30 "	50,000	Sep. 30 " to " "	880.11
Oct. 30 "	50,000	Oct. 30 " to " "	585.03
Nov. 30 "	50,000	Nov. 30 " to " "	291.67
Dec. 31 "	50,000		.....
Jan. 31, 1927	50,000	Jan. 31, 1927 to Feb. 24, 1928	3,864.70
Feb. 28 "	50,000	Feb. 28 " to " "	3,552.32
Mar. 31 "	50,000	Mar. 31 " to " "	3,241.74
Apr. 30 "	50,000	Apr. 30 " to " "	2,932.96
May 31 "	50,000	May 31 " to " "	2,625.97
Jun. 30 "	50,000	Jun. 30 " to " "	2,320.78
Jul. 30 "	50,000	Jul. 30 " to " "	2,017.34
Aug. 31 "	50,000	Aug. 31 " to " "	1,715.66
Sep. 30 "	50,000	Sep. 30 " to " "	1,415.74
Oct. 31 "	50,000	Oct. 31 " to " "	1,117.55
Nov. 30 "	50,000	Nov. 30 " to " "	821.09
Dec. 31 "	50,000	Dec. 31 " to " "	526.36
Jan. 31, 1928	50,000	Jan. 31, 1928 to " "	233.33

The last rental charge of $50,000.00 made by Standard composing a part of Standard's balance against Deep Rock of $5,836,193.25 was made in January, 1928. Charges with respect to the said transfers in the months of February, March, April, May and June, 1928 were made subsequent to February 24, 1928, of which the May and June charges were paid as heretofore described. The charges made by Standard to Deep Rock during the period February 28, 1928 to February 28, 1933, covering the transfer of open account balances due Standard from the Refining Company and the amount of interest on such charges computed at the rate of 7% per annum compounded monthly giving effect to credits for payments of such charges which had been collected from Deep Rock, were as follows: Sixty-one charges of $50,000 each during this period, totaling $3,000,000, and interest as computed above, totaling $484,663.28, as follows:

Date of Charge	Amount of Charge	Interest at 7% per annum compounded monthly from dates of charges to dates of payment or, if unpaid, to February 24, 1933	
		Period	Amount
Feb. 29, 1928	$50,000	Feb. 29 1928 to Feb. 24 1933	$20,799.06
Mar. 31 "	50,000	Mar. 31 " " " "	20,388.45
Apr. 30 "	50,000	Apr. 30 " " " "	19,980.22
May 31 "	50,000	May 31 " " Jun. 9 1928	87.50
Jun. 30 "	50,000	Jun. 30 " " Jul. 16 1928	155.56
Jul. 31 "	50,000	Jul. 31 " " Aug. 9 1928	87.50
Aug. 31 "	50,000	Aug. 31 " " Oct. 1 1928	301.45
Sep. 29 "	50,000	Sep. 29 " " Nov. 15 1928	457.91

Oct.	31	"	50,000	Oct.	31	"	"	Dec. 3 1928	321.00
Nov.	30	"	50,000	Nov.	30	"	"	Feb. 24 1933	17,188.23
Dec.	31	"	50,000	Dec.	31	"	"	" "	16,798.57
Jan.	31,	1929	50,000	Jan.	31	1929	"	" "	16,411.10
Feb.	28	"	50,000	Feb.	28	"	"	" "	16,026.07
Mar.	30	"	50,000	Mar.	30	"	"	" "	15,655.81
Apr.	30	"	50,000	Apr.	30	"	"	" "	15,262.40
May	31	"	50,000	May	31	"	"	" "	14,883.91
Jul.	15	"	50,000	Jul.	15	"	"	" "	14,320.34
Jul.	31	"	50,000	Jul.	31	"	"	" "	14,133.51
Aug.	31	"	50,000	Aug.	31	"	"	" "	13,761.57
Sep.	30	"	50,000	Sep.	30	"	"	" "	13,391.78
Oct.	31	"	50,000	Oct.	31	"	"	" "	13,024.14
Nov.	30	"	50,000	Nov.	30	"	"	" "	12,658.63
Dec.	31	"	50,000	Dec.	31	"	"	" "	12,295.24
Jan.	31,	1930	50,000	Jan.	31	1930	"	" "	11,933.96
Feb.	28	"	50,000	Feb.	28	"	"	" "	11,574.77
Mar.	31	"	50,000	Mar.	31	"	"	" "	11,217.67
Apr.	30	"	50,000	Apr.	30	"	"	" "	10,862.64
May	31	"	50,000	May	31	"	"	" "	10,509.67
Jun.	30	"	50,000	Jun.	30	"	"	" "	10,158.75
Jul.	31	"	50,000	Jul.	31	"	"	" "	9,809.85
Aug.	30	"	50,000	Aug.	30	"	"	" "	9,474.49
Sep.	30	"	50,000	Sep.	30	"	"	" "	9,118.12
Oct.	31	"	50,000	Oct.	31	"	"	" "	8,775.27
Nov.	30	"	50,000	Nov.	30	"	"	" "	8,434.41
Dec.	29	"	50,000	Dec.	29	"	"	" "	8,118.07
Jan.	31,	1931	50,000	Jan.	31	1931	"	" "	7,758.59
Feb.	27	"	50,000	Feb.	27	"	"	" "	7,434.74
Mar.	31	"	50,000	Mar.	31	"	"	" "	7,090.59
Apr.	30	"	50,000	Apr.	30	"	"	" "	6,759.50
May	29	"	50,000	May	29	"	"	" "	6,452.22
Jun.	30	"	50,000	Jun.	30	"	"	" "	6,103.05
Jul.	31	"	50,000	Jul.	31	"	"	" "	5,777.68
Aug.	31	"	50,000	Aug.	31	"	"	" "	5,454.19
Sep.	30	"	50,000	Sep.	30	"	"	" "	5,132.59
Oct.	31	"	50,000	Oct.	31	"	"	" "	4,812.85
Nov.	30	"	50,000	Nov.	30	"	"	" "	4,494.95
Dec.	30	"	50,000	Dec.	30	"	"	" "	4,189.41
Jan.	30,	1932	50,000	Jan.	30	1932	"	" "	3,875.13
Feb.	29	"	50,000	Feb.	29	"	"	" "	3,552.32
Mar.	31	"	50,000	Mar.	31	"	"	" "	3,241.74
Apr.	30	"	50,000	Apr.	30	"	"	" "	2,932.96
May	31	"	50,000	May	31	"	"	" "	2,625.98
Jun.	30	"	50,000	Jun.	30	"	"	" "	2,320.78
Jul.	30	"	50,000	Jul.	30	"	"	" "	2,027.41
Aug.	31	"	50,000	Aug.	31	"	"	" "	1,715.67
Sep.	30	"	50,000	Sep.	30	"	"	" "	1,415.75
Oct.	31	"	50,000	Oct.	31	"	"	" "	1,117.55
Nov.	30	"	50,000				-		.....
Dec.	31	"	50,000				-		.....
Jan.	31,	1933	50,000				-		.....
Feb.	28	"	50,000				-		.....

Referring now to the 21st item of charges in Exhibit A to Standard's claim, to-wit, Engineering and Management Corporation supervision fee of $1,219,034.83 and referring to the 15th item on page 1 of Exhibit A to Standard's claim, entitled "interest on open account balances, $4,819,222.07", I

make the following tabulation which shows the dates and amounts of the assumption by Standard of the Management Corporation supervision fees charged by that company to Deep Rock and the interest charged thereon by Standard during the period (a) to February 24, 1928 and (b) from February 24, 1928 to February 24, 1933. As practically the entire amount of the open account indebtedness (of which some of these charges were a part) due Standard from Deep Rock was liquidated on or about April 30, 1926 by the receipt by Standard of 80,000 shares of the Shaffer preferred stock and the proceeds from the sale of $7,500,000 principal amount of the Shaffer 2 year 6% notes due April 15, 1928, and again liquidated at December 31, 1926 by the receipt by Standard of the $4,250,000 principal amount of the Shaffer 5 year 6% note, I have computed the interest on the aforesaid charges to the dates of such liquidation, as follows:

Date of Charge	Amount of Fees	Interest at 7% per annum compounded monthly to dates of setlement as above described, or if unpaid, to February 24, 1933. Period	Amount
(a) Dec. 31 1921	$ 99,034.83	Dec. 31 1921 to Apr. 30 1926	$ 34,976.41
Dec. 31 1924	100,000.00	Dec. 31 1924 to " "	9,753.00
Jan. 31 1926	100,000.00	Jan. 31 1926 to " "	1,760.23
Dec. 31 1926	200,000.00		.....
	$499,034.83		$ 46,489.64
(b) Feb. 28 1928	$ 20,000.00	Feb. 28 1928 to Feb. 24 1933	$ 8,319.61
Dec. 31 1928	200,000.00	Dec. 31 1928 to " "	67,194.28
Dec. 31 1929	200,000.00	Dec. 31 1929 to " "	49,180.97
Dec. 31 1930	200,000.00	Dec. 31 1930 to " "	32,382.05
Dec. 31 1931	100,000.00	Dec. 31 1931 to " "	8,357.83
	$720,000.00		$165,434.74

Further referring to item 15 on page 1 of Exhibit A to Standard's claim entitled "interest on open account balances, $4,819,222.07", I find by calculation that $3,306,053.98 would have been the "interest on open account balances" if it had been calculated at the rate of five per cent per annum, compounded, instead of being calculated at the rate of 7 per cent per annum, compounded on monthly balances. If the "interest on open account balances" had been calculated at the rate of 5 per cent per annum, without compounding it, it would have been $3,070,436.49.

The following is a summarization of the computation of interest on the open account indebtedness due Standard from Deep Rock, at 5% per annum simple interest showing the

elimination of interest on the aggregate amount of $4,525,000 of the Refining Company balances transferred to Deep Rock:

Interest on daily balances computed at 5% per annum simple interest as indicated in response to question 101 (b)		$3,070,436.49
Less interest included in the above figure on the aggregate amount of $4,525,000—of the Refining Company balances transferred to Deep Rock computed at 5% per annum simple interest as follows:		
On the aggregate amount of $825,000, charged during the period from July 31, 1926 to December 31, 1926, from the dates of such charges to Dec. 31, 1926 (open account indebtedness liquidated on December 31, 1926 by the $4,250,000 principal amount of Shaffer 5 yr 6% note)	$ 14,154.18	
On the aggregate amount of $650,000, charged during the period from January 31, 1927 to February 24, 1928, from the dates of such charges to February 24, 1928 (open account indebtedness on February 24, 1928 liquidated in connection with the acquisition by Standard of the common stock of Shaffer on April 12, 1928)	18,506.84	
On the aggregate amount of $3,050,000, charged during the period from February 28, 1928 to February 28, 1933, from the dates of such charges to February 24, 1933 (Payments totaling $500,000 received from Deep Rock during this period on account of these charges have not been considered in the computation of this interest, inasmuch as the question is based on the assumption that the entire		

amount ($4,525,000) of these charges would be disallowed, in which event such payments would be applied as credits to the general account)	379,137.95	411,798.97
Balance representing simple interest at 5% per annum on daily balances exclusive of interest on the aggregate of $4,525,000 of charges as described above		$2,658,637.52

The item "Directors fees" appearing in "Exhibit C to Knourek's Interrogatories," represents fees paid to Deep Rock Oil Corporation directors. Also in this same exhibit appears various charges for salary and traveling expenses, etc. of H. Grenacher, I stated that M. Grenacher's position with the Management Corporation was that of Engineer and the charges of the Management Corporation to Deep Rock appearing in this Exhibit C for his services and expenses were for engineering work principally in connection with the construction of the cracking plant. The annual salary paid to Mr. Grenacher by the Management Corporation in 1922 and 1923 was $6,300.00 and $9,066.57, respectively.

Hearing on November 2, 1934, Before Special Master.

The taking of testimony in the above-entitled matter was resumed, pursuant to stipulation, at the office of H. M. Byllesby & Company, 231 South LaSalle Street Chicago, Illinois. Mr. N. A. Gibson and Mr. R. M. Campbell appeared for the Claimant; Mr. George S. Ramsey and Mr. Villard Martin appeared for the Receivers.

George W. Knourek was recalled as a witness on behalf of the Claimant, and on further cross-examination by Mr. Ramsey, testified:

(The interrogatories of Mr. Knourek are admitted in evidence.)

The Interrogatories requested me to state for each year the amount of interest Standard has paid Deep Rock on open account balances or credited on Deep Rock's open account. I have replied to that by stating that on January 24, 1927, Stand-

ard credited Deep Rock open account $8848.30 representing interest on daily credit balances in the account during the period December 24, 1926, to January 24, 1927. I mean by that that the $8848.30 was interest owing by Standard on a balance in favor of the Deep Rock on the Standard's open account. That represents all the interest that the Deep Rock has ever received or been given credit for on its account with the Standard. Referring to my answers to the Interrogatories, where I say the $922,432.83 is a credit on the total interest charge of $4,819,222.07, credits on interest were earmarked by the Deep Rock as interest payments or designated by the Deep Rock as interest payments. Standard rendered to the Deep Rock a statement of specific items of interest charged by the Standard against Deep Rock on its open account, the Deep Rock would sign a check to pay for that, and refer to the Standard's invoice so as to identify it as an interest payment.

In the itemized statement contained in "Exhibit X of Knourek's Interrogatories," running throughout all the years therein covered were such items as "R. J. Graf, special." R. J. Graf, "special" was a separate account kept in the Chicago offices here to handle all income taxes withheld at source on bonds of the companies of Standard. That account was kept by Mr. Morrison of Standard, but it was an independent account from Standard. It was merely a method of convenience adopted by Standard to keep track of the income tax matters that Mr. Graf looked after. In the item appearing in my "Exhibit X of Knourek's Interrogatories" entitled "Detailed analysis of the item of Sundry Expenditures," aggregating $1,087,569.57, shown as the 14th item on page 1 of Exhibit A to Standard's claim is included such items as this: "Standard Gas and Electric, credit for amount of income tax paid by S. O. & R. Company on tentative return for 1921." The letters "S. O. & R. Company" mean the Shaffer. In the detailed analysis above referred to, such items as "Wheeling Steel Corporation Settlement of Account for Materials Purchased," were materials purchased by Deep Rock and other subsidiaries of Standard. The Deep Rock made the purchases itself. Such items in this exhibit as "Corporation Trust Co. Statutory Representation Service—D. R. O. & R. Co." refer to the Refining Company, and wherever those letters appear they refer to the Refining Company. On my "Exhibit X of Knourek's Interrogatories," there appears an item of January 19, 1925, entitled "Continental & Commercial

Trust & Savings Bank—services as trustee—Elmerdale Oil Co." The Elmerdale Oil Company was owned by the Deep Rock. Throughout this account set up in this Exhibit X are such items as "Haskins & Sells Services—preparing tax return," one of which I referred to in December, 1925, $4298.88. I don't remember whether the 1925 return was a Standard consolidated return, but whatever kind of return Deep Rock filed in that period, this item covered the services of Haskins & Sells in connection with such preparation. Standard paid Haskins & Sells, and charged it to the Deep Rock. For example, referring to the items contained in this "Exhibit X of Knourek's Interrogatories," I find in April, 1926, an item "Union Trust Co. revenue stamps on $7,500,000.00—2 yr. 6% notes $3750.00." That item paid by the Standard, and then charged to the Deep Rock. Throughout this itemized statement are various payments made to Corporation Trust Company entitled sometimes as follows: "Statutory Representation Services—Subsidiary companies." Standard paid those direct to the corporation, and charged such items to the Deep Rock. In July, 1927, an item in this same Exhibit X, entitled, "Collector of Internal Revenue Income Tax 1st half 1926-D. R. O. & R. Co. $40,500.00;" that was the first half of the 1926 income tax for the Refining Company. Standard paid it, and charged it to Deep Rock. Wherever similar items appear in this same Exhibit X in regard to Deep Rock Oil and Refining Company's income taxes, they mean that the Standard paid direct the income tax of the Refining Company, and charged it to Deep Rock. In the items contained in this same "Exhibit X of Knourek's Interrogatories," in April, 1928, there appears an item as follows: "Corporation Trust Co. Fees re-amendment of Articles of Incorporation $1400.00." Standard paid those fees, and charged them to Deep Rock. The Corporation Trust Company of Wilmington, Delaware, was the statutory representative agent of Deep Rock, the Refining Corporation, the Standard Gas and Electric Company, and also the Management Corporation. I don't know about H. M. Byllesby & Company. There are also items scattered throughout this same Exhibit, such as "Cont. Nat. Bk. & Tr. Co. Services as transfer agent," one particularly in June, 1928, for $467.08. Standard paid that fee to the Continental National Bank & Trust Company, and charged it to the Deep Rock. I have attached to my answer to my Interrogatories "Exhibit C of Knourek's Interrogatories," being an analysis

of Byllesby Engineering and Management Corporation charges to Deep Rock composing the balances in open account which were transferred to Standard, June 1, 1919, to February 28, 1933. The interest charged by the Corporation on their account was on daily balance basis at seven per cent. All other interest charges in that account were calculated on the same basis. Referring to my answers to the interrogatories, the open account balances that Byllesby Engineering has against Deep Rock were transferred, usually monthly, to Standard. Standard would advance funds to the Management corporation as it needed them for its working capital. "Exhibit C of Knourek's Interrogatories," in the last column to the right, shows the transfer of the Management Corporation's account monthly to the Standard. The Standard charged or credited that against the Deep Rock. Standard never made ear-marked payments to the Management Corporation as a credit for management charges against the Deep Rock.

As to whether the Standard paid the Management Corporation for any services of Henry Grenacher in connection with the construction and installation of the four Dubbs cracking stills, I think the Management Corporation charged some amount to Deep Rock themselves, and that it was included in the balance assumed by Standard at the end of the month, or some later period. The Management Corporation would issue its bills to Deep Rock, and then whatever balance the Management Corporation had in the account would be transferred to Standard at the end of the month. The bill from Cummins, Roemer and Flynn under date of December 30, 1922, incorporated in Exhibit C of Knourek's Interrogatories, specifically the last item, for "Services, consultations and advice in reorganization of Deep Rock Investment Club as a common law trust, $30,000.00"; the president of the Shaffer was one of the trustees of the Club. It owned investments for the benefit of employees of the Shaffer. It was dissolved sometime in 1925, I believe. The assets were liquidated and the cash distributed to the beneficiaries. The Deep Rock paid all the expenses, which were negligible, of the Deep Rock Investment Club. The trust bought the securities of Standard and/or its subsidiaries, and I believe they were purchased from H. M. Byllesby & Company. As a part of "Exhibit C of Knourek's Interrogatories" appears a statement under date of December 31, 1922, from the Management Corporation to Deep Rock, for "Engineering fee based on approved Special Budget covering cracking process

and accessories, for which plans and specifications have been prepared and large part of work completed: Total fee—10% on $600,000.00 of the budget—$60,000.00. 80% now due—$48,000.00." That bill was charged to Deep Rock, assumed by Standard, and put in the balance at the end of December, 1922. I do not know anything about the land on which the cracking stills were constructed, but I am sure the bill was in connection with the original four units of the Dubbs Cracking plant.

The Deep Rock Petroleum Company was a subsidiary of Deep Rock which owned all its stock at one time. I don't know if they owned it all the time. I believe it is dissolved now.

Cummins, Roemer and Flynn were general counsel for the Standard, H. M. Byllesby & Company, and the Management Corporation. Standard did not pay any of its employees any salaries. They were all paid by the Management Corporation. There was no office rent charged to Standard. Byllesby Engineering paid whatever rent, if any, that could be chargeable to Standard. From its inception until 1923, the Deep Rock maintained its offices in the same building and practically in the same office space, on the same floor, with the Standard or the Management Corporation. Then it moved into 231 So. LaSalle Street on the twelfth floor until the latter part of 1924. The Deep Rock continued to maintain a divisional office in Chicago and still have it. The Deep Rock paid its office rent here in Chicago, but none was charged to Standard. Standard has been managed at all times since Management Corporation was organized, that is, the Standard has been managed by the Management Corporation. The Management Corporation pays all the expenses of the Standard. In other words, the Standard does not pay the executive officers any salaries, does not pay its employees any salaries. Standard only pays such expenses as are directly incidental to its particular business of owning and holding securities.

The fourth item in Exhibit A to Standard's claim, entitled "Payment of Deep Rock Oil Corporation note discounted by Standard Gas and Electric Company $200,000.00," those were two notes of $100,000 each executed by Deep Rock to Standard as payee. One of them was partly paid off and the balance was renewed. The eighth item, in charges in Exhibit A to Standard's claim was entitled "Redemption of 8% notes due 1941 in the sum of $245,322.00,". Those notes were in coupon

form, dated May 1st, 1921, and bore eight per cent interest. If Standard advanced the funds for the payment of such interest, it would be charged to the Shaffer.

As to Exhibit A of Knourek's Interrogatories, same being copies of five checks payable to the Bradstreet Oil Corporation, dated in February and March, 1923, the record shows that this $500,000.00 was charged by the Standard to J. C. Kennedy, trustee. That charge was made on the Standard's books against J. C. Kennedy, trustee, at the date of payment.

Referring to items 30 and 31 in "Charges", in Exhibit A to Standard's claim, entitled "Transfer of J. C. Kennedy open account to Deep Rock Oil Corporation $649,999.00," and the credit of the same amount as the consideration for 8825 shares of the common stock of the Refining Company, I do not know how the figures $649,999.00 were arrived at. That was made on instructions from Mr. Braheney. That was intended to cover the $500,000 represented by the photostatic copies of checks in Exhibit A of Knourek's Interrogatories, and the $150,000.00 that has been paid by the Deep Rock and subsequently credited to the Deep Rock by the Standard.

The Refining Company did not file at any time a separate federal income tax return. They were included in the consolidated returns of Standard. The Standard paid their income tax on the basis of its consolidated return, and the Refining Company was charged with its proportionate share of the tax in certain of the years in which tax was paid. Prior to October 1, 1925, there was no tax charged to the Refining Company. I think in one or two instances the proportionate share of the tax was first charged to the Refining Company on open account, and later transferred to Deep Rock, as a charge against the Deep Rock.

Referring to the eighth item in charges in Exhibit A of Standard's claim entitled "Redemption of 8% notes due 1941 in the sum of $245,322.00," the notes were dated May 1, 1921, with interest at the rate of eight per cent per annum, but they were not necessarily issued as of that date. They might have been sold a little this year, and a little bit later on, and so on. I don't believe Standard at any time owned any of those notes. Referring to the tenth item in the charges in Exhibit A to Standard's claim entitled "Payment of Deep Rock Oil Corporation note in favor of Continental National Bank & Trust Company less unearned interest, $395,718.42," Deep Rock

negotiated the loan from the Continental National Bank & Trust Company.

There are 50,000 shares of preferred stock of the Deep Rock now outstanding. They do not have a par value. Those 50,000 shares were issued under an amendment to the Deep Rock's Articles of Incorporation made in 1928. Of the 50,000 shares, the Standard owns at the present time, 969 shares.

After April 12, 1928, Standard owned 1969 preferred shares. Standard then sold a thousand shares of preferred stock to the Utility and Industrial Corporation, which is an affiliated company of H. M. Byllesby & Company. No preferred stock has been issued since the amendment of 1928, authorizing the issuance of 450,000 shares of preferred stock without par value. The stock that was outstanding on April 12, 1928, had a par value of $100.00 a share. That was all taken up, and non-par value preferred issued in lieu of it. Since 1928 in lieu of the par value preferred stock, there was issued regarding the shares held by the public, 50,000 shares; and from what I gather now, this 10,000 shares was also issued to the treasury of the company. That is the 10,000 shares outstanding in the name of W. J. Maloney which was issued to him in lieu of 10,000 par value preferred standing in his name as nominee of the Deep Rock. I don't know why that 10,000 shares of the hundred dollar par value preferred was issued to W. J. Maloney as nominee of the Deep Rock sometime prior to April 12, 1928.

It appears from the credit sheet of Exhibit A to Standard's claim that in 1925 Standard gave the Deep Rock a credit of $1,894,592.11 under item denominated "extensions and additions to properties of the Refining Company." In other words, when the Standard gave the Deep Rock a credit in 1925 of $1,894,592.11, it charged that item to the Refining Company. And then later it canceled that open account accepting a note from the Refining Company for that amount. The present note bears interest, but the first note did not bear any interest. There was a note issued without interest in the early part of 1926, and then a new note issued at the beginning of 1931 for a like amount bearing interest at the rate of seven per annum in lieu of the old note. Interest has been paid by charging the amount of the interest to open account of the Refining Company up until date of receivership of Deep Rock. It was never directly charged to the Deep Rock. However, the account be-

tween Standard and the Refining Company, which included these interest charges, was assumed or transferred to Deep Rock monthly. When that open account between Standard and the Refining Company was transferred to Deep Rock, then the interest on the amount charged to the Deep Rock open account was computed from the date of such charges. Interest on that seven per cent note executed by the Refining Company was indirectly charged to the Deep Rock, through the transfer of the open account balance. And it constitutes a part of this claim the Standard has now set up in this Exhibit A to its claim. That is shown as the 26th item on the second page.

Referring to Exhibit B of Knourek's Interrogatories, the note executed December 31, 1926, for $4,250,000.00, due December 31, 1931, payable to Standard, and executed by the Shaffer, bore interest at the rate of six per cent per annum payable quarterly. The calculation shows that quarterly interest to be $63,750.00, which was credited on the back of the note on March 31, 1927. Then the next credit is June 30, 1927, in the sum of $64,458.33. The next quarterly interest is credited on the note on September 30, 1927, $65,166.67. And on December 31, 1927, interest was credited at $65,166.67. Then on March 31, 1928, interest was credited in the sum of $64,458.33, and on April 12, 1928, interest was credited in the sum of $8500.00; making a total of $331,500.00. I cannot state whose handwriting that is on the back of that note. That note was executed by the Deep Rock direct, to the Standard, and the Standard gave the Deep Rock credit for the sum of $4,080,000.00. That would be a discount of four per cent. The Deep Rock was indebted on open account to Standard at the time this note of December 31, 1926, was executed in the sum of $4,250,000.00, before application of the credit of $4,080,000.00, in the amount of $1,748,674.47. That left a balance in favor of Deep Rock on the Standard's open account of $2,331,325.53.

Standard did not, on April 12, 1928, take into consideration the discount of $170,000.00 on that note, or refund that, or rebate it to the Deep Rock in any way. The note was canceled at its face value. That note constitutes a part of that $11,122,400.00 credited as of April 12, 1928.

In making payments to the Standard, Deep Rock at all times did so in the form of checks. I would say, if not all the time, most of the time they were checks drawn on banks in Chicago.

Paul A. Lehmkuhl, was called as a witness on behalf of Receivers, and on direct examination by Mr. Ramsey, testified:

I have been one of the assistant secretaries and assistant treasurers of the Standard for about twelve years. I have also been an officer of the Shaffer, now known as the Deep Rock.

Q. I notice that on August 28, 1924, the Shaffer Oil and Refining Company, by you as assistant treasurer, executed a note for $100,000.00, due in ninety days after date, payable to Standard, with six per cent interest per annum after maturity, and countersigned by Arthur S. Huey. Do you remember that? A. Well, I don't remember that particular note.

Q. All right. On November 26, 1924, it appears that you executed, as assistant treasurer of the Shaffer, a note for $100,000.00, payable to Standard ninety days after date, countersigned by H. C. Cummins. Do you remember anything about that note? A. No, I don't remember any of those particular notes.

Q. Do you have any recollection of who directed you to execute either of those notes as assistant treasurer of the Deep Rock? A. I signed those in the absence of the secretary.

Q. Who was the secretary in 1924 and '25? A. I think it was Francisco, wasn't it? I don't recall offhand.

Q. By whose direction did you sign either of these notes, and also the one of February 24, 1925, for $100,000.00, payable to Standard? A. Well, as I recall, I signed those in the absence of my superior, Mr. Morrison.

Q. But who told you to sign them? A. Well, I don't recollect that.

Q. The notes were executed here in Chicago, weren't they? A. Yes, sir.

Q. Did Mr. Morrison ask you to sign the Shaffer's name to these notes? A. Well, I would say yes, although I don't remember that he did. But I would not have done it without his authority.

One of these notes, the one of Novmeber 26, 1924, was countersigned by Mr. H. C. Cummins, president. I don't believe Mr. Cummins directed me to execute the note on behalf of the Shaffer. I believe my instructions emanated from Mr. Morrison.

Q. Mr. Morrison was assistant treasurer of the Deep Rock, is that right? A. I don't remember that without consulting the records.

Q. Do you know what was done with the money that these notes represented that you signed the name "Shaffer Oil and Refining Company" to as payor? A. No, I don't.

Q. Were you consulted about the advisability of executing these notes, or did you have any information as to the purpose of the notes, or the consideration for them? A. I might have at the time, but I don't recall, sir.

Q. How long have you been assistant treasurer of the Deep Rock? A. I am speaking from memory when I say about eight years, possibly ten. I really can't remember that.

My salary as assistant treasurer of the Deep Rock was derived from the Management Corporation. I did not receive any salary from either the Standard or the Deep Rock.

William George Pohl was called as a witness on behalf of the Receivers and on direct examination by Mr. Ramsey, testified:

I reside in LaGrange, Illinois. I have been assistant secretary and assistant treasurer with Standard for about ten years. I think I am assistant secretary, or was, of Deep Rock. I was director of Standard in 1923.

Q. The annual report of the Standard for the year ending December 31, 1923, shows you were a director, William G. Pohl. Do you have any recollection of that? A. Well, undoubtedly the record speaks for itself.

Q. Then you dropped out as director for several years, is that right? A. Yes, sir.

Q. Now, what office do you say you occupied with the Deep Rock? A. Assistant secretary and assistant treasurer, I believe.

Q. I notice that on August 24, 1925, the Shaffer, by W. R. Francisco, treasurer, executed a note for $100,000.00 to Standard, countersigned by John L. Gray, and endorsed Standard Gas and Electric Company, by M. A. Morrison, vice president, by W. G. Pohl, assistant secretary. Do you have any recollection of this transaction? There is the note, and there is the endorsement (indicating). A. That is my writing, my signature.

Q. But you do not have any independent recollection about it? A. No, I cannot say that I have any recollection of that particular endorsement.

Q. I call your attention to a note executed on August 23, 1923, for $100,000.00, payable to Standard, due in ninety days after date, bearing six per cent per anum interest after maturity, signed Shaffer Oil and Refining Company, W. G. Pohl, assistant treasurer, and countersigned by B. W. Lynch. Do you remember anything about that note? A. I cannot recall that particular note. That is my signature on the note.

Q. Do you know who directed you or authorized you to sign the Shaffer Oil and Refining Company's name to that note? A. No, I cannot say.

Q. For whom were you acting at that time? A. The Shaffer.

Q. Was there any authority from the board of directors of the Shaffer directing you to execute that note? A. Why, very likely.

Q. General authority? A. General authority.

Q. If there was any special authority, it would appear in the minutes of the meetings of the board of directors of the Deep Rock? A. I think so.

Q. Do you remember what that $100,000.00 was used for, or what the note represented, or anything about that transaction? A. No, I can't say that I do.

Q. Do you remember what official suggested to you to execute that note on behalf of the Shaffer? A. No, sir.

Q. From whom did you take directions? A. Well, from any superior officer, or from the authority of the directors.

Q. Now that was countersigned by B. W. Lynch. Do you have any recollection whether he suggested to you to execute it on behalf of the Shaffer Oil and Refining Company? A. No, sir.

Q. I find on May 22, 1927, a note for $100,000.00, due in ninety days after date, payable to Standard Gas and Electric Company, bearing six per cent interest per annum after maturity, signed Shaffer Oil and Refining Company by Herbert List, assistant treasurer and countersigned by W. G. Pohl, assistant secretary. Is that your signature to that note, as countersigning it? A. Yes, that is my signature.

Q. Do you have any recollection of that note? A. No, I cannot say I have.

Q. Do you know who asked you to countersign that note? A. Well, it may have been a renewal note, which would be in the ordinary course of business.

Q. Do you know what was done with the hundred thousand dollars that note represents? A. No, sir.

Q. You don't know whether it was loaned money, or paid on open account? A. I can't say offhand that I know. I undoubtedly knew at that time.

Q. What was the system about executing notes? There is a whole list of notes executed by Shaffer Oil and Refining Company, by Herbert List, assistant secretary, assistant treasurer and sometimes by you as assistant treasurer. A. Why, the signatures to notes evidently were obtained, depending upon who was available to sign.

Q. All these notes were executed here in Chicago? They show that on their face. Was that where they were executed? A. Yes, undoubtedly.

I received no salary from the Standard Gas and Electric Company or Deep Rock Oil Corporation. I think at that time I was on the payroll of the Byllesby Engineering and Management Corporation.

Q. Would those notes be prepared and brought to you by some officer here in Chicago, with the request or direction that you execute it on behalf of the Shaffer Oil and Refining Company, or countersign it on behalf of the Shaffer Oil and Refining Company? A. That all depends on what the notes were issued for. If they were issued in accordance with a contract, we would have our authority there. If it may have been a renewal note, why, our authority vested with the maturing note, to either make payment, or issue a renewal note.

Q. You would not have any letters from the Shaffer Oil and Refining Company directing you to execute these notes, would you? A. No.

Q. You executed these notes, countersigned them, by direction of some officer here in Chicago? A. Well, I do not say that. Either as the result of an agreement, or a contract, or authority of the board.

Q. Do you have any recollection of having executed or countersigned any note on behalf of Shaffer Oil and Refining Company under any contract or any resolution of the board of directors of Shaffer Oil and Refining Company? A. I cannot say now offhand under what authority those notes were issued.

During the period of the execution of these notes, I was the assistant secretary and treasurer. The secretary, Mr. Morrison was my superior. I took orders from him. That is the same Mr. Morrison who is the official of the Standard Gas and Electric Company.

Herbert List was called as a witness on behalf of the Receivers, and on direct examination by Mr. Ramsey, testified:

I live in a suburb of Chicago. I don't think I hold any office now with the Standard Gas and Electric Company. In 1923 I was assistant secretary and assistant treasurer, and continued to occupy that position up until and including 1933. I was also an officer of the Shaffer Oil and Refining Company, now known as the Deep Rock Oil Corporation up until February 28, 1933. I don't know whether I still am or not.

Q. Do you recall attesting, as assistant secretary of the Shaffer Oil and Refining Company, an agreement between Deep Rock Oil and Refining Company and Shaffer Oil and Refining Company, dated October 1, 1925, and marked Receivers' Exhibit "Jay"? A. I do not recall it. I may have attested it.

Q. I hand you this instrument, and ask you to state whether or not that photostatic copy, which is Receivers' Exhibit "Jay," shows your signature on there, as attesting the execution by Shaffer Oil and Refining Company? A. It does.

Q. Do you recall anything about that transaction? A. No, sir.

Q. Do you know by whose direction you attested that execution by the Shaffer Oil and Refining Company? A. No, sir.

Q. Do you remember whether or not this Exhibit "Jay" was executed by the Deep Rock Oil and Refining Company, by John C. Gray, President, before or after you had attested the signature of Shaffer Oil and Refining Company? A. I don't recall that now, no, sir.

Q. You have no recollection about the transaction? A. No, sir.

Q. It appears from Exhibit B to the interrogatories propounded to Mr. George W. Knourek, that on December 31, 1926, a note in the sum of $4,250,000.00, payable to Standard Gas and Electric Company, with six per cent per annum interest after date, payable quarterly, was executed on behalf of the Shaffer Oil and Refining Company by Herbert List, assistant

treasurer, and countersigned by B. W. Lynch. Examine that photostatic copy, and say whether or not that is your signature to that note. (Handing document to the witness.) A. That is my signature, yes, sir.

Q. Do you have any recollection of that transaction? A. No, sir.

Q. Do you know what the consideration for that note was? A. No, sir.

Q. Do you know what was done with the $4,250,000.00? A. No, sir.

Q. Do you know whether or not the Shaffer Oil and Refining Company received that sum of money from the Standard Gas and Electric Company? A. No, sir.

Q. Did you know at that time? A. I don't remember now.

Q. By whose direction or authority did you sign the name of Shaffer Oil and Refining Company to that $4,250,000.00 note? A. I don't recall that, now.

Q. There are other notes in this Exhibit B to Knourek's Interrogatories; for instance, a note dated October 1, 1925, for $400,000.00, due on or before October 1, 1926, payable to Standard Gas and Electric Company at its offices, 231 South LaSalle Street, Chicago, Illinois, with eight per cent interest per annum from date, signed Shaffer Oil and Refining Company by Herbert List, assistant treasurer, and countersigned by R. J. Graf, vice president. Examine that photostatic copy of the note, and say whether or not you executed that for the Shaffer Oil and Refining Company. (Handing document to the witness.) A. Yes, sir, I did.

Q. Do you have any recollection of that transaction? A. No, sir.

Q. Can you state by whose direction you executed that note on behalf of Shaffer Oil and Refining Company? I don't remember that note.

Q. Do you know what became of the $400,000.00? A. No, sir, I don't.

Q. Do you know whether Standard Gas and Electric Company paid that $400,000.00 to the Shaffer Oil and Refining Company, or gave credit on open account for that sum of money? A. I don't know.

Q. I find in this Exhibit B of Knourek's Interrogatories several other notes executed by you as treasurer of Shaffer Oil

and Refining Company, payable to Standard Gas and Electric Company, one dated November 23, 1925, for $100,000.00, due in ninety days after date. Another one for $100,000.00, payable to Standard Gas and Electric Company, dated February 23, 1926, countersigned by M. A. Morrison. Another one dated November 22, 1926, for $100,000.00, payable to Standard Gas and Electric Company, countersigned by M. A. Morrison, assistant secretary. Another one, dated February 21, 1927, for $100,000.00, payable to Standard Gas and Electric Company, countersigned by M. A. Morrison, assistant secretary. Another one, dated May 23, 1927, for $100,000.00, payable to Standard Gas and Electric Company, countersigned by W. G. Pohl. Another one dated August 22, 1927, for $100,000.00, payable to Standard Gas and Electric Company, countersigned by M. A. Morrison, assistant secretary. Another one dated November 21, 1927, for $100,000.00, payable to Standard Gas and Electric Company, countersigned by M. A. Morrison, assistant secretary. And another one for $100,000.00, payable to Standard Gas and Electric Company, dated February 20, 1928, countersigned by R. J. Graf. And another one dated May 21, 1928. for $100,000.00, payable to Standard Gas and Electric Company, countersigned by E. J. McKay. Another one dated August 20, 1928, for $100,000.00, payable to the Standard Gas and Electric Company, countersigned by E. J. McKay. Another one dated November 19, 1928, for $100,000.00, payable to Standard Gas and Electric Company, countersigned by E. J. McKay. Another one dated February 18, 1924, for $100,000.00, payable to the Standard Gas and Electric Company, countersigned by E. J. McKay. Another one dated May 20, 1929, for $100,000.00, countersigned by E. J. McKay. Another one dated August 19, 1929, for $100,000.00, payable to Standard Gas and Electric Company, countersigned by E. J. McKay. Another one dated November 18, 1929, for $100,000.00, countersigned by E. J. McKay. Another one dated February 17, 1930, for $100,000.00, payable to Standard Gas and Electric Company, countersigned by E. J. McKay.

All of which notes were executed by Shaffer Oil and Refining Company, by Herbert List, assistant treasurer. State whether or not you have any recollection of either or any of those notes. A. I have not.

Q. Do you know what the consideration for any of those notes was? A. No, I don't.

Q. Do you know whether or not the Standard paid that much money to the Deep Rock Oil Corporation, or gave it credit on its open account for any of those sums? A. I don't recall it now. I would have to look it up.

Q. Do you remember by whose direction you executed those notes on behalf of the Deep Rock Oil Corporation? A. I don't recall now, no.

Q. All those notes were executed here in Chicago, were they not? A. They were.

Q. Who was your superior officer at that time? A. Mr. Morrison.

Q. Is it your recollection that Mr. Morrison requested you to execute those notes on behalf of the Shaffer Oil and Refining Company? A. I couldn't answer that. I don't remember.

Q. If Mr. Morrison had requested you to execute those notes, you would have done so? A. I guess I would.

Q. If Mr. O'Brien had requested you to execute those notes on behalf of the Shaffer Oil and Refining Company, you would have executed them? A. I would have.

Q. Or if Mr. R. J. Graf had requested you to do so, you would have executed them? A. I sure would.

Q. The same thing with regard to Mr. B. W. Lynch if he had requested you? A. Yes, sir, I would.

Q. Or any other officer of the Standard? A. Absolutely.

Q. Have you ever drawn any salary from the Deep Rock Oil Corporation for services? A. No, sir.

Q. You did not receive any salary from the Standard? A. No, sir.

Q. The Byllesby Engineering and Management Corporation paid your salary all during these years, is that right? A. Yes, sir.

(All counsel here agree that the testimony of E. J. McKay and J. J. Madden would be to the same effect as that of Herbert List.)

George W. Knou: k, was recalled as a witness on behalf of claimant, and on redirect examination by Mr. Gibson, testified:

The $1,894,000.00 item I previously testified about represents advances that Deep Rock made for extensions and additions to

the cracking plant and Bradstreet properties. Deep Rock charged these advances to the trustees' accounts. In 1925, the open accounts with the trustees were then transferred to the Refining Company, and the Refining Company at that point was indebted to the Shaffer in the sum of $1,894,592.11. In other words, the new corporation, the Refining Company, which took title to this property from the trustees, assumed obligation for that amount to the Shaffer Company. At the same time, Standard then assumed this account that the Refining Company owed to the Shaffer by giving the Shaffer credit, and receiving or charging the Refining Company for a like amount. In other words, at that time Standard had a claim of more than that with us, or equal to that amount, anyhow, against the Shaffer Company, or the Deep Rock, and by the assumption of this debt, or taking it over, it gave credit for the entire $1,894,000.00 to the Deep Rock, relieving Deep Rock of any further liability to it, to that extent. Then the matter from that time on stood entirely between the Refining Company and Standard. Interest on this $1,894,000.00 was not charged at first; subsequently, in 1926, it was put in the form of a non-interest bearing note; then it was changed to an interest-bearing note in 1931. And that note was executed by the Refining Company to Standard. Deep Rock, from the time of the lease in 1925, did not pay anything in the way of interest on this $1,894,000.00.

Q. Then how do you say in your direct examination that it was charged indirectly to them? I do not understand that. A. I did not intend to convey the thought that Deep Rock paid the interest. What I intended to bring out was that the open account between the Refining Company and Standard was transferred monthly to the Shaffer.

Q. What do you mean by "transferred monthly"? A. The way these monthly transactions occurred, the Deep Rock credited the Refining Company with the rental of $50,000.00. Then the Refining Company either declared the full amount in dividends, or a portion in dividends, and the balance in interest, all payable to the Standard, which they credited to open account payable to Standard. In order to clear those three accounts and make it a direct item between Standard and Deep Rock, the accounts between the two companies and the Refining Company were washed against one another.

Q. I see. Then it was a mere bookkeeping device, to let one payment settle the three accounts. A. That is correct.

Q. In other words, the Standard, at the end of each month, said to Deep Rock Oil Corporation: "Deep Rock Oil and Refining Company owes us $50,000.00, and you owe it $50,000.00, so you pay us the fifty thousand and wipe out the whole account." A. Yes, sir.

George W. Knourek, on recross examination by Mr. Ramsey, testified:

I have already testified that the Deep Rock never at any time paid the Refining Company in the form of cash any rental under either of these leases. The only payments made by the Deep Rock were the $100,000.00 payment in 1933, the $100,000.00 payment in 1932, and the $300,000.00 payments made in 1928, which were in payment of the charges that Standard made to Deep Rock for the assumption of the balances due from the Refining Company to Standard. In other words, none of that $500,000.00 rental ever went through the Refining Company. Those sums constituting that $500,000.00 were paid direct to the Standard by the Deep Rock.

That note for $1,894,592.11 payable to Standard, bore interest at seven per cent, and was executed in the early part of 1931. The Refining Company credited the open account of Standard monthly with the interest on that note. Standard didn't owe the Refining Company anything. The Refining Company simply gave the Standard credit for that amount of money. It has never been paid in cash from the Refining Company. It has been paid by having the balances between the three companies from Deep Rock to the Refining to Standard transferred. That interest does not stand as a charge against the Deep Rock, not as such. The open account of the Refining Company is part of the open account. The Deep Rock did not at any time assume the payment of the interest on the Refining Company's note for $1,894,592.11. It has never been charged by the Standard with the interest on that note. It has never been credited by the Standard with the interest on that note. However, this interest was paid by the transfer of the open accounts; the open account due from Deep Rock to the Refining Company was assumed by Standard in liquidation of the amount of the open account due from the Refining company to Standard. It is a settlement. It leaves the Refining Company clear in that respect. In other words, the Refining Company has been acquitted of all liability for the interest on that note in that manner. The consideration that moved to the

Standard for acquitting the Refining Company of the interest on that note was an open account due from Deep Rock.

George W. Knourek, on redirect examination by Mr. Gibson, testified:

Q. That was satisfied, then, or acquitted, as you say, out of the proceeds of the $50,000.00 a month rental which went through the books in the way you have described? A. Yes, sir.

George W. Knourek, on recross examination by Mr. Ramsey, testified:

Q. If that is true, then the interest never was paid at all, is that right? A. It wasn't paid in cash.

Q. Well, how could you get it into the rentals? The rentals are fixed by the lease at $50,000.00 a month.

Mr. Gibson: Part of that fifty thousand went to the payment of this interest. That is what he said.

Mr. Ramsey: Q. But the Deep Rock Oil Corporation made its payments direct to the Standard, isn't that right, the five hundred thousand? A. In payment of the open account that Deep Rock Oil and Refining Company owed Standard Gas and Electric Company, yes, sir.

Mr. Martin: Q. Is any part of the interest on this $1,800,000.00 note included in the Standard's claim against Deep Rock Oil Corporation, directly or indirectly? A. No, sir. The open account between Deep Rock Oil and Refining Company and Standard, which was transferred to Deep Rock Oil Corporation, however, is included.

Q. I understand. But no part of the interest on the note, or the indebtedness of the Refining Company to the Standard, is included in the Standard's claim against Deep Rock Oil Corporation? A. No, sir.

Mr. Ramsey: Q. Does the Standard still hold the Deep Rock Oil and Refining Company's note for $1,894,592.11? A. Yes, sir.

Q. Has it carried that note as a part of its assets? A. Yes, sir.

Q. At all times, since the original note was executed, that note bore interest? A. Yes, sir.

Q. Did it carry the open account as a part of the Standard's assets? I mean, did Standard carry that open account against

the Refining Company as a part of the Standard's assets? A. At the time it was an open account, yes, sir.

There appears in the itemized statement contained in Exhibit C of Knourek's Interrogatories, an item for many months, entitled "B. W. Lynch, Services, $416.67." That was part of Mr. Lynch's salary paid by the Management Corporation, which was charged to the Shaffer. That is true with respect to all these items of the same character running through here, where Mr. Lynch has been paid $416.67 each month. There appears an item in January, 1920, entitled "Rent, $1035.63." That was rent paid for the Chicago offices. At the time the Shaffer occupied offices on the same floor with the Management Corporation, and this represented their proportionate share of the rent. And that same thing is true with reference to other items of rent charged in this Exhibit C. The item in Exhibit C entitled "Furniture and Fixtures, Mirror, $45.00", I don't recall, except that from the description of the item, it would seem that a mirror of some sort was purchased, for the Shaffer. There is also an item in the same month entitled "Telephone and electric lights, seven months, $175.00 per month, total $1225.00." That again represents their proportionate share of the telephone and electric expenses of the office here in Chicago, which was chargeable to the Shaffer. That is just the part that the Management Corporation allocated to the Deep Rock. The item of "H. J. Smedley, Services, $50.00," June, 1920. I don't know whether he was employed in the valuation department at that time, but he was on the staff of the valuation department of the Management Corporation. What exact services he performed I cannot say. There are also items in this Exhibit C such as "Stationery," one item in June, 1920, entitled "Stationery, telephone, telegraph, etc., $283.72." That is the amount allocated by the Management Corporation to Deep Rock as its part of the total expense incurred in obtaining the stationery and telephone service, and telegraph service. The stationery was charged to them as they used it. The item "F. C. Gordon, traveling- insurance." Gordon was manager of the insurance department of the Management Corporation. The item in November, 1921, entitled "Directors' fees, $250.00." That item represents fees paid to the directors of the Deep Rock that were paid by the Management Corporation. There are other items in this Exhibit C for directors' fees. They all mean that the Management Corporation paid the fees of the Deep Rock's directors, and

charged them to the Deep Rock. The firm of Cummins, Roemer and Flynn were general counsel for the Standard and the Management Corporation, or what is known as the Byllesby interests. They did not receive any annual salary that I know of. This Exhibit C contains a bill dated June 30, 1921, from Cummins, Roemer and Flynn, attorneys, against the Shaffer, setting forth various items. That bill must have been presented by those lawyers to the Management Corporation, because Byllesby Engineering paid the bill and charged Deep Rock. In this Exhibit C are various items, such as "H. M. Byllesby, traveling expenses." "Paul Rice, traveling expenses," and others named, "Traveling expenses." Those items were presented to the Management Corporation and paid by that corporation and charged to the Deep Rock. There are also items here, for instance in October, 1922, "Directors' fees, $70.00," in December, 1922, "Directors' fees, $290.00." As directors, they received fees of certain stipulated amounts. I don't recall the exact amounts. And the difference between the two items, as you have just mentioned, was probably due to the fact that more directors were in attendance, or it covered more than one meeting. There is an item in here, "H. Grenecher, Services, $150.00." He was an engineer employed by the Management Corporation. I believe they paid him a regular salary. As to these items here, where it appears that the Management Corporation charged Deep Rock with services for H. Grenecher, I think that is just a billing to Deep Rock for services performed by them. I am not sure whether it was considered any part of Grenecher's salary. On January, 1925, there is an item in this Exhibit C, entitled "B. F. Braheney, Services, "416.66." That was part of Mr. Braheney's annual salary paid by the Byllesby Engineering and Management Corporation. And that is true with respect to the other items of the same nature running through this Exhibit C for services of B. F. Braheney. The Management Corporation also paid for the services of C. A. Linneman and charged it to Deep Rock.

Referring to the itemized statement contained in Exhibit Y of Knourek's Interrogatories, there is an item in June, 1921, entitled "Illinois Trust & Savings Bank, Deposit to Sinking Fund Account Shaffer 7% notes, $160,000.00." The aggregate amount of those seven per cent Shaffer notes might have been $3,500,000.00. It was just a short term note, probably two or three years. On that same page, in June, 1921, is an item

entitled "Continental & Commercial Trust & Savings Bank, Deposit of Portion of Sinking Fund Requirement 1st 6s, $480,000.16." That refers to the first mortgage six per cent bonds of the Shaffer that were executed in 1919. On that same page is an item in September, 1921, "Standard Gas and Electric Company, Purchase of $750,000.00 par Shaffer 8% notes due 1923 and 1924 plus accrued interest, $678,529.17." I don't recall the principal amount of notes that were issued under those indentures. They were executed in May of 1921. That item just referred to, the purchase of $750,000.00 par Shaffer eight per cent notes, due 1923 and 1924, plus accrued interest, $678,529.17, that is the amount that Standard credited Deep Rock open account for the acquisition of those notes. Standard purchased those notes directly from the Shaffer. Those notes were not payable to the Standard as payee. They were in coupon form, payable to the bearer. In this same Exhibit Y of Knourek's Interrogatories, is an item in December, 1921, entitled "Standard Gas and Electric Company, Purchase of $164,600.00 par Shaffer 8% notes due 1923 and 1924 plus accrued interest $149,058.57." Those notes were of the same series as the $750,000.00 par value eight per cent Shaffer notes due 1923 and 1924. In May, 1922, in an itemized statement contained in my answers to Interrogatories, is an item entitled "Standard Gas and Electric Company, purchase of $142,700.00 par Shaffer 8% notes due 1924 plus accrued interest, $137,039.57." That note was of the same series as the others I have just been talking about. On November, 1922, is an item in Exhibit Y of Knourek's Interrogatories, entitled "Standard Gas and Electric Company, Interest on $400,000.00 promissory note 10/1/23 to 11/30/23 $5333.33." The interest rate was eight per cent per annum, and it was the same note as described in answer to question No. 16 in the Interrogatory. There also is an item in this same Exhibit Y in December, 1922, entitled "Standard Gas and Electric Company, Interest on $750,000.00 promissory notes, $5088.89." Those notes carried eight per cent per annum interest, and are the same notes as described above. That interest was charged into the open account at eight per cent. The item on August, 1923, in the same Exhibit Y, entitled "J. C. Kennedy, Trustee, Cash received by Shaffer Oil and Refining Company representing balance remaining after closing Bradstreet Oil Company transaction, $700.00" means that at the time of the purchase of the Bradstreet properties, Standard issued a check in favor of

J. C. Kennedy, trustee, for $50,000.00, to be used by him in the payment for various of these leases as their titles became cleared up, and after the consummation of all these transactions, there remained a balance of that original $50,000.00 of $700.00, which J. C. Kennedy, trustee, turned over to Shaffer Oil and Refining Company, and Shaffer Oil and Refining Company gave us their credit memorandum for that amount. In March, 1924, is an item entitled "Standard Gas and Electric Company, Interest on J. C. Kennedy, Trustee, account to 3/24/24 transferred to Shaffer Oil and Refining Company $49,057.49." That item represents interest on the $650,000.00 advance that Standard made to J. C. Kennedy, trustee, from the date of the advance to March 24, 1924. These other items in this same Exhibit Y, for instance, in April and other dates, such as "Standard Gas and Electric Company, Interest on J. C. Kennedy, trustee, account, 3/24/24 to 4/24/24, $3911.44;" that represents the monthly interest on the $650,000.00 advanced by the Standard for the purchase of the Bradstreet properties. That was the interest on the $500,000.00 advanced by the Standard, and also the $150,000.00 that Standard had credited Deep Rock with, representing the Deep Rock's three $50,000.00 notes that it used in the purchase of the Bradstreet properties. It is interest at seven per cent per annum calculated on the 24th day of each month, on the total advanced to J. C. Kennedy, trustee. If it was not paid upon the rendering of a bill, it would be compound interest. On November, 1925, in this same Exhibit Y, is an item entitled "Standard Gas and Electric Company, Interest on J. C. Kennedy, Trustee, account, 10/24/25 to 11/24/25, $3864.38." That was the monthly charge of interest on the $650,000.00 that Standard advanced for the purchase of the Bradstreet properties. And that is also true with respect to the item in December, 1925, entitled "Interest on J. C. Kennedy, Trustee, account 11/24/25 to 12/24/25, $3739.70." On June, 1925, is an item entitled "Continental & Commercial Trust & Savings Bank, Deposit to Shaffer Sinking Fund 6s 1929, $766,666.66." That was the sinking fund called for by the first mortgage executed in 1919. As a matter of fact, the Standard in a great many instances, deposited to the sinking fund required by that mortgage in every instance, and then charged the amount to the Deep Rock. The item in August, 1926, entitled "Deep Rock Oil and Refining Company, Balance assumed, $50,000.00;" that represents the $50,000.00 monthly rent that Deep Rock

was to pay under the lease from the Refining Company. And wherever those items appear in this same Exhibit Y, entitled "Deep Rock Oil and Refining Company, Balance assumed $50,000.00," that means the rent under that lease from the Refining Company to the Deep Rock running at the rate of $50,000.00 a month.

George W. Knourek, on redirect examination by Mr. Gibson, testified:

Yesterday, in my examination by Mr. Ramsey, I was asked with regard to an analysis of the items entering into the charge of $139,417.29 in December, 1930, as reimbursement for services, expense of counsel, and so on. The amount credited to the Management Corporation included in that total of $139,417.29 was $50,269.59, of which $50,000.00 was paid by the Management Corporation to J. E. Carney & Company for services rendered in connection with the Shaffer Smathers tax case, and the balance of $269.59 was interest on that disbursement. Those men I have mentioned were the tax counsel who were handling the income tax matter, that is still unsettled.

I testified that the way in which these charges were made was, when services were rendered to the Shaffer Company by the Management Corporation, or when disbursements were made for that company by the Management Corporation, that if they were not paid directly by the Shaffer Company, this debt was assumed by the Standard, paid by the Standard, and charged to the Shaffer Company.

There is a ten thousand block of preferred stock standing in the name of W. J. Maloney. I believe that is nominally issued by Deep Rock. It is their treasury stock. Maloney is not a public owner, but only nominee for Deep Rock. He is a junior officer of Byllesby Engineering. I think Deep Rock, also. I believe those certificates are in the trustee department of the Management Corporation, under the immediate control of Mr. Morrison. He has custody of all such property as that. In December, 1925, Standard transferred the J. C. Kennedy, Trustee, account to the Shaffer, as of October 1, 1925, and for that reason interest charged to Deep Rock on that account after October 1, 1925, was reversed, and they were given credit for interest in the amount for which they had been previously charged as if it had been paid. It was an abandonment of the

charge to that extent, and thereafter interest on $1,894,000.00 was charged from 1931 on to the Refining Company.

B. W. Lynch was called as a witness on behalf of the claimant, and on cross examination by Mr. Ramsey, testified:

In reference to Claimant's Exhibit No. 1, being a letter of March 14, 1921, addressed to C. B. Shaffer, and signed by J. J. O'Brien, H. M. Byllesby & Company paid the $10,000.00 cash and gave its $500,000.00 note. It is my recollection that H. M. Byllesby & Company executed the note for $500,000.00 and also paid it. Also the two twelve-month notes for $140,000.00. I am pretty sure H. M. Byllesby & Company did not then charge those payments to the Deep Rock.

I cannot remember whether the directors of the Deep Rock that were nominated by C. B. Shaffer were R. L. Erb, C. B. Shaffer, J. D. K. Shaffer, W. A. Van Winkle and W. A. Tilden. I am almost certain though, that Mr. Van Winkle, Mr. C. B. Shaffer and J. D. K. Shaffer were Shaffer directors. I know that Mr. Erb was associated with Mr. Shaffer, and if he was a director at the time, he would, by reason of that, be a nominee of Mr. Shaffer.

On February 24, 1930, the Deep Rock Board of directors declared a dividend of $1.75 on the common stock. Mr. Kerr has testified that checks were issued to the common stockholders, including Standard, and the Standard turned back its check, and took common stock for the amount of the dividend going to Standard. The entire dividend was $1,015,437.50. I remember that transaction. At the time that dividend was declared, there was an understanding between the Standard and the Deep Rock that the Standard would take, in lieu of cash, common stock of the Deep Rock. It was understood that Standard would purchase the common stock to an amount equivalent to the Standard's dividend on common stock. That process may have operated in other years. I would have to look at the records, because I think they might show that Standard did buy some common stock during that period.

When I was on the witness stand before, I stated that Mr. Francisco and Mr. Gray, and possibly at times Mr. Riddle, Mr. Moody, would come to Chicago and confer with officials of the Management Corporation in regard to financing for the Deep Rock. The moneys that were advanced by the Standard

from time to time on its open account against Deep Rock were advanced by Standard to the Deep Rock as the result of the budgets which the operating group from Tulsa would show as being necessary for the operation of the property, and if it were impossible to do any public financing in respect to it, Standard would then have this understanding with the Deep Rock: "We will advance this temporarily, until the money so advanced to you for construction, that construction from investments, will have returns, so that it can be publicly financed, and the amount returned to Standard," the same as it would to a bank loan, or any other person from whom they would borrow.

Q. Those agreements to loan the money to the Deep Rock were made here in Chicago during those conferences, is that right? A. By the word "Agreement", meaning it was understood that if the budget were approved, Standard would get the money for them in one form or another, either from public financing of the securities of the company, or in the event that could not be done, then Standard would advance it.

Q. Where was the agreement made, if there was any agreement, to charge Deep Rock seven per cent interest on its open account? A. That was the understanding between the officers of Standard Gas and Electric Company and the officers of Deep Rock. It was a matter discussed many, many times between, for instance, myself, Mr. Gray and Mr. Francisco. At times I took it up with him from a viewpoint which may surprise you, that we should get more than seven per cent, that we were entitled to more than seven.

Q. I believe you testified along that line before. What I am trying to find out is if seven per cent compound interest was discussed here in Chicago and agreed to by the representatives of the Deep Rock here in Chicago. A. The officers of Deep Rock Oil and Refining Company, Mr. Ramsey, I can say to you with all honesty, with respect to every item, interest as well as anything else was known to them. No influence was brought on them. They were buying it and selling it as they would to anyone else who supplied those services and that money. I would like the record to show that.

Q. I am asking you if that agreement to pay seven per cent interest was made here in Chicago during those conferences. A. It was agreed between the officers of the company at that time, all those times.

Q. Where were those meetings held at which this agreement was made? A. At the offices of Standard Gas & Electric Company in Chicago.

Q. Was there any written agreement to that effect, or was that just an oral understanding? A. I wouldn't think there would be any written agreement on that. There never is, not even with banks.

Q. In your former examination you were asked to produce a copy of report of board of directors employing H. M. Byllesby & Company to procure an extension of these notes, for which you stated the records are available in the receivers' office. Now, state whether or not there was any correspondence between Standard and H. M. Byllesby & Company regarding the extension of these $10,000,000.00 notes. A. I can't recall that without going to the records. I should think there would be some, though. There were very many discussions between Mr. Francisco and myself on that, and in turn, Mr. Francisco reported back to Mr. Gray. There was complete understanding and harmony on the procedure, and to the best interests of the company at the time.

In regard to the organization expenses of Shaffer Oil and Refining Company in 1919, that company, namely the Shaffer stood the expense of organization, the cost of issuing the bonds, the stocks, registration, and whatever fees were in effect in that particular year. They were paid by the Shaffer, and if the check in payment of the particular services was that check of Byllesby or that check of Standard, it was only for the account of the Shaffer Company.

I stated in my former examination that in December, 1925, or a month or two thereafter or theretofore, there were issued 8464 shares to a group composed of Gray, Riddle, Moody, Majewski, Huey, Francisco and Kennedy and perhaps in December 1926, there was issued 9088 shares to the same group; also that in December, 1928, or a little later, a total of 250 shares were issued to the same group, including A. L. Dade, but excluding Kennedy. Those shares were issued by the Deep Rock to those parties for management services. It was asked for by Mr. Gray to promote the efficiency of his particular senior officers, which was in addition to their salaries. At that time it was a question of whether the increasing costs should be met by increased salaries or give them a proportion as a profit sharing plan. Instead of direct payments from the

company, they preferred a profit sharing plan along the line of a certain number of shares of stock, based on the showing they would make for earnings in the respective periods. I don't recall the exact date when Mr. Gray was elected a member of the board of directors of the Standard.

Q. Was John L. Gray indebted to the Standard or to H. M. Byllesby & Company, or to Byllesby Engineering and Management Corporation, prior to the existence of the present indebtedness; and if so, state the amount, and when the indebtedness was first created? A. I don't understand the question of "present indebtedness," Mr. Ramsey.

Q. What the Standard's claim now is since April, 1928. A. I am terribly sorry. I don't get the import of that.

Q. Well, was Gray at any time indebted to the Standard or to H. M. Byllesby & Company, or to Byllesby Engineering and Management Corporation? A. I think perhaps in the closing years of 1930 or '31 he may have borrowed some money from us but certainly nothing while he was the operating officer of the company during those years in which the profit sharing was in effect. I cannot recall of any during that time.

These payments that were made on open account by Deep Rock to Standard, in nearly every instance they would be by check. Those checks were not always drawn on the Deep Rock's accounts in banks in Chicago, only wherever the funds available for that purpose would be deposited, as the records would show.

Q. Were the 11,000 shares of preferred stock of the Utility & Industrial Corporation sold by Deep Rock at a loss, or a profit? A. I don't know, but I would imagine that was a very profitable transaction to them, because Mr. Majewski worked very hard and earnestly to provide that transaction so he could acquire some filling stations for the company. I always understood that he was very happy with it, and of course, that particular deal in turn, was not just Majewski. It was an agreement for an extension of filling stations which was in the budget approved by Gray and his board.

Q. Where were the Deep Rock certificates of stock in the Utility & Industrial Corporation kept, who had custody of the stock certificates? A. I imagine an assistant secretary or assistant treasurer of that company, located at Chicago,

to make them available for this transaction which Majewski was working on, because it was in and around this district.

Q. Who had the keys to the Deep Rock's Chicago safe deposit box? A. An officer, again, of the Deep Rock, either the assistant secretary or the assistant treasurer. I imagine it would be the assistant treasurer.

Q. Here in Chicago? A. Yes.

Q. It appears from the testimony of Francisco that there was an agreement by Standard to furnish the Deep Rock $50,000.00 per month for the purchase of leases, and so forth. Where was that agreement made? A. Again, that would refer to my previous answer with respect to the budget approved monthly, and that agreement would call for a certain expenditure for leases, for other things, and so on, and this perhaps may not be directly and definitely for the leases. It might be in conjunction with the other construction approved at that time.

Q. That agreement was made here in Chicago, when Francisco would come up here, he and Gray? A. It was agreed here also at the monthly meetings, when they would say "We need to spend this amount of money," then at that time we would necessarily have to say where the money was coming from, and agree where we could raise it. In those instances most of the time Standard was lending the money to them.

Q. Were the Deep Rock's stockholders' meetings held in Chicago? A. I don't know offhand, Mr. Ramsey.

Q. The evidence shows that the minutes of the board of directors, the minute books, were kept here in Chicago. A. You mentioned stockholders, didn't you?

Q. Yes.

Mr. Gibson: They were held in Delaware, weren't they? The special or annual meetings were held in Delaware? A. I would necessarily refer to the minutes of the stockholders in that respect.

Q. The books containing the minutes of the stockholders' meetings were kept in Chicago, were they not? A. I think they were kept in both Chicago and Tulsa, with perhaps the original here and copies of the minutes in Tulsa, as is my recollection.

Q. I show you a number of red books entitled "Deep Rock Oil Corporation (formerly Shaffer Oil and Refining Com-

pany)'' seven volumes. State whether or not those books were kept here in Chicago. A. I imagine the custody of the books was at Chicago, with the assistant secretary of the Shaffer Oil and Refining Company, or its successor, the Deep Rock Oil Corporation. That is in the offices of the Deep Rock Oil and Refining Company at Chicago. Since Francisco went to Oklahoma in 1925, Mr. Majewski was the principal senior officer in charge of the Deep Rock's office in Chicago.

The gauge for the rental to be paid by Deep Rock to Standard was that which Standard regarded—again using the word "regarded" as interpreted—as the proper amount which any company would willingly pay an outside interest for money in an oil investment. Having that in mind, Standard, advancing money to the Refining Company, would naturally have in mind that such money advanced for such purpose should have the return as it would get from the public. I testified that the measuring stick for such money must be the same as if we were going direct to the public.

The Deep Rock's cancelled bank checks may be both in Tulsa or here in Chicago. It all depends on whether, after the audit by certified accountants at the end of the year—whether the custody of them and cost of sending them back and forth would be prohibitive as compared to keeping them in one spot, and necessarily the reference they might want to make to them in the future.

Q. Would Mr. Majewski probably know where they are kept? A. Mr. Francisco is the man that would know where all the cancelled checks are, as treasurer of the company.

Q. When we ask them for anything down there, they say the records are up here. A. I would like *to* record to show a complete answer in that respect, and Mr. Francisco, as treasurer, certainly has his own record of all those things.

Q. Were cancelled checks paid by Chicago banks, that is, checks drawn on the Chicago banks by the Deep Rock, returned to the Deep Rock's Chicago offices, or were they returned to the Deep Rock's Tulsa offices? A. The Chicago bank accounts, I am almost certain, would return the cancelled checks to the offices of the Deep Rock Oil Corporation at Chicago.

J. J. O'Brien was recalled as a witness on behalf of the claimant, and on cross-examination by Mr. Ramsey, testified:

Q. Did the Deep Rock, prior to October 1, 1925, lease or have any lease from the Refining Company on a cracking plant and on the Bradstreet properties, or either of them? A. I think so, but I couldn't tell you offhand.

Q. Was it a written lease, or a verbal lease? A. I don't know. The records will show that.

Mr. Ramsey: That's all I want to ask him.

R. J. Graf was recalled as a witness on behalf of the claimant, and on cross-examination by Mr. Ramsey, testified:

Q. Do you know who paid the $2906.25 recited in the contract of July 1, 1922, between you and the Shaffer as the consideration for a deed by the Shaffer to you for the land therein described? A. I can answer that by saying I would have to check it up before I could say who actually paid it.

Q. Can you find out for us, so we can have it this afternoon? A. Yes, I will do that.

Q. How long have you been connected with the Standard? A. Since its incorporation.

George H. Harries was a director of the Management Corporation. He was a vice president of Byllesby & Company, associated with us for a number of years. Francis C. Shenihon was a director and treasurer. He was our chief engineer, and a vice president of the Management Corporation, associated with the Standard interests about two years. Albert Erickson was connected with us as vice president in charge of our operating department until his death about two years ago. He was an engineer. H. W. Fuller was Chief engineer of the Management Company. He resided in Chicago. Mr. Shenihon was connected with us more or less, although I think his residence was in Minneapolis, but he lived here at a club. Mr. D. T. Flynn has been connected with the Byllesby interests for twenty years or more.

Q. Did you ever make any lease of this land that was conveyed to you by the Shaffer Oil and Refining Company there at Cushing before the lease was made in October, 1925? A. I will have to check that, Mr. Ramsey, before I can answer it.

B. F. Braheney was recalled as a witness on behalf of the claimant, and on cross-examination by Mr. Ramsey, testified:

Q. On March 19, 1926, you wrote a letter to W. R. Francisco, treasurer of the Shaffer Oil and Refining Company, at Tulsa, Oklahoma, copy of which appears in Mr. Morrison's testimony as "Trustee's Exhibit XX." Examine that letter (handing transcript to the witness.) A. Yes.

Q. Please state who, if anyone, directed you to write that letter. A. Well, I don't know. I can't say at this time who directed it, but it must have been after some meeting of the directors of these companies, because I certainly never sent that out without some action being taken by the officers or directors of the company, not being an officer or director myself.

Q. From whom did you get the information that the Shaffer Oil and Refining Company was going to take a lease from the Deep Rock Oil and Refining Company? A. Well, it must have been through the same channels as the answer to the preceding question.

Q. Do you know who prepared the lease? A. Evidently it must have been prepared by the lawyers. Whether it was prepared by Cummins, Hagenah and Flynn—the name at that time, I guess, was Cummins, Roemer and Flynn—I have no recollection at this time.

I know F. C. Gordon. I think he resides in one of the suburbs around Chicago here, or it may be in Chicago, I don't know. I don't believe he is an officer of the Standard, at the present time, at least.

Q. Who delivered the lease to you to be enclosed to Mr. Francisco with your letter of December 19th? A. I certainly couldn't tell you now. Somebody may have put it on my desk with a note, or may have delivered it to me. I couldn't tell you right at this time.

F. C. Gordon now is an employee of the Management Corporation. He was in the employment of the Management Corporation in 1925. I couldn't say offhand who was in charge of the Shaffer Chicago offices in 1925. I couldn't say whether Mr. Herbert List was in charge of it. You would have to put that to some of the other witnesses.

Q. There has been introduced in evidence letter dated December 22, 1925, marked Trustee's Exhibit Eye. This exhibit is a copy of a letter written by you to O. O. Kerr, general auditor,

Shaffer Oil and Refining Company, Tulsa, Oklahoma. In this letter you say that the Shaffer on March 22, 1923, purchased from J. C. Kennedy, trustee, 8325 shares no-par value capital stock of Deep Rock Oil and Refining Company for a consideration of $649,999.00, and leased the property of the Refining Company, and received from these properties the full earnings, paying all expenses, and advancing funds for additions and betterments, no other consideration being paid. Did you ever see any lease executed by the Refining Company in March, 1923, to Shaffer? A. I cannot recall whether I had seen a lease or not.

Q. Do you know where you got the information? A. Evidently from the same source, either officers or directors of the present Deep Rock.

Q. Will you search your records and see whether or not you can find any such lease as that? A. I would not have such a lease in my files. If there was a lease at that time, it would be in the files of the Deep Rock and the Refining Company. I have no copies of such leases or contracts in my file.

Q. In this letter you also state that as the new lease is dated October 1, 1925, and the stock was purchased under that date, the Standard will give Shaffer the credit as above, and interest on this amount will cease on that date, so that any entries you have made in October and November allowing Standard credit on open account in this amount will be reversed. Had the Standard been charging the Shaffer interest on that $649,999.00? A. I would have to check that up. I couldn't tell you at this time.

Mr. Ramsey: By whose direction did you write this letter of December 22, 1925, marked Trustee's Exhibit Eye? A. Well, it would have to be by order of the officers and/or directors of the companies involved.

The same source must have told me that the Deep Rock, on March 22, 1923, purchased from J. C. Kennedy, trustee, 8325 shares of stock of no-par value of the Refining Company for a consideration of $649,999.00. I don't know who drafted the lease of October 1, 1930, covering the Refining Company's properties. I would have to check my files to determine whether there was any correspondence between myself and any other officer of the Standard and the Deep Rock's officers in regard to an execution of the renewal lease of October 1, 1930.

Q. In your former testimony, you stated that Haskins & Sells had prepared all federal income tax returns for all companies in the Standard system, and in certain years the Refining Company and the Deep Rock were included in the consolidated returns. Am I right in saying that the Standard paid Haskins & Sells for those services year *year*, and if so, did the Standard charge any part of Haskins & Sells' fee direct to the Refining Company? A. That would have to be verified by Mr. Knourek.

Q. On cross-examination, when you were on the stand before, we asked you how much money the Standard paid for the Management Corporation stock, which you were unable to answer at that time, stating though, that you would look the matter up. Are you now able to answer that question? A. We have looked the matter up, but I think that question should be answered by Mr. Lynch, as it is a complicated situation in 1919 which he can explain, I believe.

Q. We also asked you to ascertain the amount of capital that has been paid in by the Standard for the 100,000 shares of the Management Corporation stock. Are you able to answer that question now? A. I believe Mr. Lynch should also answer this question.

The dividends paid each year by the Management Corporation since its organization are to be found in this tabulation. The surplus the Management Corporation had at the end of each year since its organization is shown in that one column of that statement.

Q. Did you know of any lease that the Shaffer Oil and Refining Company had on the Bradstreet properties and cracking plant prior to October 1, 1925? A. Offhand, I couldn't answer that question.

Q. You don't know of any such lease? A. What does that question mean?

Q. Well, there is a reference in a letter here.

Mr. Gibson: To previous relations.

Mr. Ramsey: Yes. I asked you about that point.

Mr. Gibson: I will state for the record we have been unable to find any written lease covering the terms under which this property was held from 1923 until the first lease in 1925.

Mr. Ramsey: That's all.

B. W. Lynch was recalled as a witness on behalf of the claimant, and on cross-examination by Mr. Ramsey, testified:

Q. Mr. Lynch, we asked Mr. Braheney to state how much money the Standard Gas and Electric paid for Byllesby Engineering and Management Corporation stock, which he said he was not prepared to answer, and suggested that you could answer that question. If so, we would like to know. A. Well, now, in assigning a value, Mr. Ramsey, to the Byllesby Engineering and Management Corporation, you have got to get a little history of that.

Q. Well, now, wait a minute. I will ask you this question: Did the Standard Gas and Electric Company pay any money, cash, for the hundred thousand shares of stock of Byllesby Engineering and Management Corporation? A. They paid a consideration made up of securities and cash for the Byllesby Engineering and Management stock, together with some other securities that came in at that time, into the purchase by the Standard. That was in 1919. Now, in assigning ledger values to each of those securities, we are confronted with that difficulty at the present time in an application we are making for securities to be issued by the Standard, before the Federal Securities Act. The auditors will have to either arbitrarily assign values to each one of the securities brought in, or the department at Washington may rule that that transaction is so far back they will not go into it that way, because, after all, it would be an arbitrary value.

Now, at that time there was no value put to the Byllesby Engineering. It was just recorded as one dollar, as securities owned, that was in the group of securities acquired. Standard acquired from H. M. Byllesby & Company in 1919 the Management Corporation and other securities, in the same transaction; exchanged securities for the Management Corporation stock and other stocks. It was put up on the books as one dollar just to record the ownership, that's all it amounted to. The security account taken there is not allocated, cannot be allocated, in fact. That hundred thousand shares of Management Corporation stock, I think it is without par value, I am sure it is, 100,000 shares without par value.

George W. Knourek was recalled as a witness on behalf of the Claimant, and on cross examination by Mr. Martin, testified:

Referring to the contract of May 20, 1919, between C. B. Shaffer and H. M. Byllesby & Company, which provides for the purchase of $11,000,000.00 of par value of the new company's bonds, H. M. Byllesby & Company acquired those bonds as part consideration for the C. B. Shaffer property conveyed to the Shaffer at that time.

Mr. John L. Gray was elected a director of Standard on May 16, 1928, at a stockholders' meeting. He served until January 2, 1930.

Q. It is in evidence that the sum of $2906.25 was paid pursuant to the terms of the contract between the Shaffer and R. J. Graf, trustee, for the release of the property described in the contract from the deed of trust securing the outstanding bonds of the company. Please state who paid the $2906.25 to the trustee to secure the release of the deed of trust upon this particular property. A. I was unable to find where Standard Gas and Electric Company made such a payment. However, an analysis of the R. J. Graf, trustee, account, as carried on the books of Deep Rock would disclose the source from which those funds were received.

Q. Then from your investigation you would say that this $2906.25 has never been charged by the Standard to the Deep Rock? A. I was unable to find such a charge.

Q. Mr. Knourek, you have heretofore testified with regard to the checks drawn in Chicago on the account of Deep Rock. Will you please state who signed those checks that were drawn in Chicago, and by whose authority they were signed? A. Why, any officer of Deep Rock authorized by the board of directors to sign the checks would sign them. There are several, I don't know how many officers in this office, and that, I believe, is their authority to sign the checks.

Q. Then what method was employed for the purpose of advising those officers as to what checks should be signed, and the amount of them, and to whom payable, and so forth? A. Well, as I recall it, there were only very few of such checks drawn in Chicago, and I believe that the parties that signed them received their instructions from other officers.

Q. Do you know who the officers were from whom they re-

ceived such instructions? A. Why, it might have been any of the officers.

Q. Was that here in Chicago? A. That was here in Chicago.

Q. Was that authority verbal, or in writing? A. I couldn't say as to that.

Q. What method was employed of advising Tulsa as to the issuance of these checks so that they might keep their books in balance? A. At the time these checks were drawn, an advice would immediately be forwarded to the Tulsa office to advise them of the checks being drawn.

There may have been requisitions or any other similar paper to evidence the purpose for which such checks were drawn, and as evidence of authority to the particular person who signed the checks; but as I said before, there were not very many checks drawn in Chicago on the Deep Rock account, and I don't recall specifically where any written authority requisition was issued.

Q. Will you refer to Exhibit A to the Standard's claim, and state what credits are shown on the claim to have been made in the year 1933? A. For the two months January and February, 1933, a total of $218,163.81 was credited to the open account.

Q. Do you know whether those credits were by checks of Deep Rock to Standard? A. Yes, sir, they were.

Q. Where were these checks drawn? A. I believe one check for approximately one hundred thousand was drawn in Chicago, and the balance was drawn in Tulsa. I don't know the officers that signed that check for one hundred thousand that was drawn in Chicago. I don't specifically know who authorized the issuance of the $100,000.00 check in Chicago. I would have no way of finding out except to the extent that I would have to inquire who drew the check, if they would remember. There is no written authorization for the check, none that I know of. Referring now to the checks that were drawn in Tulsa from Deep Rock to Standard in 1933, I do not know by what authority those checks were drawn, or by whose authority they were drawn. Referring to the checks that were drawn in Tulsa from Deep Rock to Standard in 1933, I don't know whether these checks were drawn by authority or direction of any official of the company in Chicago. I don't know where I could find that out. Referring to the checks drawn

in the year 1932 for which a total credit of $336,393.18 is shown in Exhibit A of the Standard's claim, as I recall it there were only two checks drawn at the Chicago office, representing approximately $200,000.00 of that total. The balance, I believe, represented checks that were received, that were drawn in Tulsa. I make the same answers as to the writing of the checks in 1932, due in 1933, with reference to authority for their execution. I am not able to say on whose authority those checks were drawn. I have no written evidence of any request for the checks. I believe there must have been some arrangement whereby the officers of Deep Rock at Chicago were authorized to draw on the Chicago account, but I don't know exactly by what authority, or on whose authority. There were no regular payments made at any regular intervals, on the Standard account, just payments once in a while, or occasionally. I don't know who determined when those payments were to be made, or in what amounts they were to be made. I don't know how that was determined.

George W. Knourek, on redirect examination by Mr. Gibson, testified:

The checks for dividends on preferred stock were drawn and issued in Chicago. I don't recall as to the payment of common dividends. There were very few stockholders of the common stock.

W. R. Francisco answered interrogatories submitted by counsel for the trustee as follows:

I hereto attach as "Exhibit 1 of Francisco's Interrogatories", copy of contract between Deep Rock and H. M. Byllesby & Company employing the latter to obtain an extension of the $10,000,000.00 March 1, 1928 Deep Rock Notes.

Exhibit 1 of Francisco's Interrogatories.

Deep Rock Oil Corporation, 231 South LaSalle Street, Chicago, Ill.

April 30, 1932

H. M. Byllesby and Company, 231 South LaSalle Street, Chicago Illinois.

Gentlemen: The Six Per Cent Convertible Gold Notes of Shaffer Oil and Refining Company (now by change of name

Deep Rock Oil Corporation) authorized by that certain Trust Agreement between the undersigned and Union Trust Company (now by consolidation with the First Trust and Savings Bank, First Union Trust and Savings Bank), as Trustee, dated March 1, 1928, of which there are $10,000,000 principal amount now outstanding, mature, on March 1, 1933. The undersigned desires to have the holders of said notes agree to an extension of the date of maturity of said notes from March 1, 1933 to March 1, 1937, upon the terms and conditions and in the manner set forth in that certain extension agreement, dated April 30, 1932, by and between the undersigned, First Union Trust and Savings Bank, as Trustee, and the holders of such notes as may become parties thereto in the manner set forth therein.

The undersigned desires your services in this matter and, in consideration of your using your best efforts in obtaining the consent of the holders of the notes to such extension of maturity date by having such note holders deliver their notes to the First Union Trust and Savings Bank as Depositary under that certain Agreement with the undersigned, dated April 30, 1932, accompanied by letters of transmittal in the form attached, properly executed by the note holders, the undersigned will pay to you a sum equal to four per cent (4%) of the principal amount of each and every note, the maturity of which is extended in accordance with the provisions of the above described Extension Agreement, whether the extension was made as a direct result of your efforts or not.

The undersigned agrees to furnish you from time to time with such information and data concerning its business and financial condition as you may request.

Attached hereto is a letter of the President of the undersigned, addressed to the holders of the notes, requesting the holders to agree to the extension of the date of maturity. Copies of this letter will be furnished you in such numbers as you may request.

In order to facilitate any arrangements you may wish to make with other investment banking houses and dealers in securities, we agree to withhold direct circularization of the holders of the notes for a reasonable length of time.

Payments due you under the terms of this agreement shall be made at such stated intervals as may be requested by you.

Executed in two counterparts.

Respectfully yours,

DEEP ROCK OIL CORPORATION
By McKAY, Vice President.

Accepted: April 30, 1932. H. M. Byllesby and Company.
By M. A. Morrison, Vice President.

"Exhibit 2 of Francisco's Interrogatories" is a copy of a letter of May 5, 1932, addressed to W. R. Francisco, Treasurer, Deep Rock, written on stationery of Byllesby Engineering and Management Company as follows:

Exhibit 2 of Francisco's Interrogatories.

Byllesby Engineering and Management Corporation,
231 South LaSalle Street, Chicago.

May 5, 1932

Mr. W. R. Francisco, Treasurer Deep Rock Oil Corporation,
Tulsa, Oklahoma.

Dear Sir: We are enclosing herewith for your files copies of the following documents:

No. 1—Agreement between Deep Rock Oil Corporation and the First Union Trust and Savings Bank as depository dated April 30th, 1932.

No. 2—Extension agreement between Deep Rock Oil Corporation and the First Union Trust and Savings Bank as trustee, made in connection with the extension of the maturity of Shaffer Oil and Refining Company 6% notes.

No. 3—Contract between Deep Rock Oil Corp., and H. M. Byllesby and Company, referring to the above matter.

The originals of the above documents will be held in this office.

Yours very truly,

J. J. MADDEN,
Assistant Secretary.

JJMadden RC Encls.

Deep Rock paid for the additional leases and properties included in the lease of October 1, 1925, not assigned to J. C. Kennedy, Trustee, by the Bradstreet Oil Company, and charged them on their books to J. C. Kennedy, Trustee, or Refining Company. These leases and properties included in the October 1, 1925, lease from the Refining Company to the Deep Rock in addition to the leases and properties acquired from Bradstreet Oil Company were a part of the expenditures I mentioned in my testimony, amounting to $1,033,294.32. In my former testimony I stated that the Deep Rock had invested in the cracking plant and auxiliaries carried on its books against R. J. Graf, Trustee, the sum of $861,297.79 up to October 1, 1925. I also testified that the Deep Rock had expended in the development of the Bradstreet properties and the purchase of the additions to the Bradstreet properties $1,033,294.32 up to October 1, 1925, and charged the same on its books to the account of J. C. Kennedy, Trustee. This makes a total of $1,894,592.11 charged on the Deep Rock's books against J. C. Kennedy, Trustee, and R. J. Graf, Trustee, which was credited by the Standard on its open account against the Deep Rock in 1925 as of October 1, 1925. In addition to these expenditures with respect to the Bradstreet properties, in January, 1925, construction was started on an additional unit to the cracking plant of 800 barrels capacity, known as No. 5 for the purpose of increasing the total capacity of the plants. Necessary additions were made to tanks, lines, connections and utilities between the period of January 1, 1925, and December 31, 1930, in the total amount of $375,350.58. This unit was on the premises deeded to R. J. Graf, Trustee. Of this amount $264,680.51 represents the gross additions for Dubbs unit still No. 5, and all other improvements and additions made to the cracking plants and all things erected, constructed, and installed between the period October 1, 1925, and October 1, 1930, were as follows:

Stills and towers	$229,518.68
Condensers and coolers	18,953.73
Buildings	5,908.48
Tanks and foundations	5,698.49
Lines and connections	36,100.15
Treaters	1,965.00
Boilers, engines and pumps	34,673.49
Operating machinery and tools	30,922.79
Construction machinery and tools	2,107.44

Electrical equipment	3,771.07
Testing plant and cleaning up	5,206.26
Engineering, superintendence, etc.	525.00
Total	$375,350.58

An itemized statement of the cost of improvements and additions made to the cracking plant and any and all other improvements placed on the land conveyed by the Deep Rock to R. J. Graf, Trustee, during the period from October 1, 1930, to February 28, 1933, is here set forth:

Stills and towers	$202,724.93
Condensers and coolers	21,531.74
Buildings	20,634.82
Tanks and foundations	2,176.66
Lines and connections	82,651.49
Treaters	15,885.86
Boilers, engines and pumps	69,555.06
Operating machinery and tools	983.10
Construction machinery and tools	4,092.60
Electrical equipment	13,833.55
Testing plant and cleaning up	1,255.89
Engineering, superintendence, etc.	13,401.34
Gray towers	34,203.08
Stabilizers	41,977.69
Total	$524,907.81

According to the entries placed on Deep Rock's books covering replacements for obsolescence, destruction of property and depreciation of property standing in the name of R. J. Graf, Trustee, or in the name of the Refining Company, the following sums were expended:

Replacement of expansion chambers	$ 52,636.26
Miscellaneous equipment destroyed by fire	4,141.63
Total	$ 56,777.89

The Deep Rock expended since October 1, 1925, in the acquisition of oil and gas leases and other property for the account of J. C. Kennedy, Trustee, or the Refining Company, the sum of $1,245,108.71.

The proceeds of the sale of oil from the Ripley pool were a part of the $659,879.10 earnings from the Bradstreet properties prior to October 1, 1925; these earnings were net after retirements, and the retirements amounted to $129,770.09. The Bradstreet properties and the Ripley pool were separate and distinct properties. All producing oil and gas leases in the Ripley pool were paid for by the Deep Rock. Certain leases were purchased for the Refining Company. The cost of the leases purchased in the name of the Refining Company was charged on the books of the Deep Rock to J. C. Kennedy, Trustee, or to the Refining Company.

The Deep Rock owned four leases in the Ripley pool before that pool was opened and seven leases were taken in the name of the Refining Company.

I am Secretary and Treasurer of the Refining Company and have been since March 27, 1925.

(Note: Witness here states that meetings of the Refining Company were held as follows:

(1) February 16, 1928, at Wilmington, Delaware, Present by proxy—R. J. Graf, B. W. Lynch and M. A. Morrison.

(2) February 21, 1929, 231 South LaSalle Street, Chicago. Present by proxy—R. J. Graf, B. W. Lynch and M. A. Morrison.

(3) February 20, 1930, 231 South LaSalle Street, Chicago. Present in person—R. J. Graf, B. W. Lynch and M. A. Morrison.

(4) February 19, 1931, at Wilmington, Delaware. Present by proxy—R. J. Graf, B. W. Lynch and M. A. Morrison.

(5) February 18, 1932, at Wilmington, Delaware. Present by proxy—R. J. Graf, B. W. Lynch, M. A. Morrison, John L. Gray, W. R. Francisco and L. B. Riddle.

(6) February 16, 1933, at Wilmington, Delaware. Present by proxy—R. J. Graf, B. W. Lynch, M. A. Morrison, W. R. Francisco, and L. B. Riddle.

(7) February 15, 1934, at Wilmington, Delaware. Present by proxy—R. J. Graf, B. W. Lynch, M. A. Morrison, W. R. Francisco, and R. K. Huey.)

Deep Rock's stock transfer books have never been in Tulsa or at any place in Oklahoma so far as I know.

The total cost of procuring an extension of approximately $7,819,500.00 of the $10,000,000.00 March 1, 1928 notes was $312,780.00, "of which $143,425.00 originated as a charge which Standard paid to Byllesby and Company for the account of it", and that the remainder, to-wit, $169,355.00, was paid by Deep Rock. This latter sum was paid by Deep Rock by various checks drawn on dates from June 3, 1932, to February 28, 1933. The first check was June 3, 1932, for $100,000.00. Then checks were given in August, September, October, November and December, 1932, two checks in January, 1933, and thirteen checks in February, 1933, between February 3, and February 28, both inclusive.

"Exhibit 3 of Francisco's Interrogatories", included in this record, contains photostat copies of 21 checks given by Deep Rock to H. M. Byllesby & Company on account for obtaining an extension of the $10,000,000.00 notes, the first check being dated June 3, 1932, for $100,000.00. The signature of the Deep Rock to that check was signed by Herbert List, Assistant Secretary, and countersigned by M. A. Morrison, Assistant Treasurer. The Deep Rock's signature to 17 of the checks was signed by Herbert List, Assistant Secretary, and countersigned by M. A. Morrison, Assistant Treasurer. Deep Rock's signature to 4 checks was signed by M. A. Morrison, Assistant Secretary, and countersigned by Herbert List, Assistant Treasurer. Copies of all of the vouchers in this transaction appear in this record as "Exhibit 4 of Francisco's Interrogatories". This exhibit 4 is composed of 10 pages of photostat copies of accounts payable advices sent to Deep Rock by Engineering and Management Corporation. The first one is dated June 3, 1932, addressed to Deep Rock and says: "Please be advised that we have today issued check No. 1 on Continental Illinois Bank & Trust Co. to H. M. Byllesby & Company, for $100,000.00 as per the following accounting:

> Representing commission paid to H. M. Byllesby and Company on the 6% Convertible Gold Notes of your Company (deposited for extension) in accordance with agreement between Deep Rock Oil Corporation and H. M. Byllesby and Company dated April 30, 1932, on account ..... $100,000.00."

The Engineering and Management Corporation's name was signed by J. J. Madden. Then follows a list of bills sent by the Engineering and Management Corporation to Deep Rock for

various sums the Company paid H. M. Byllesby & Company as commission for obtaining an extension of the Deep Rock's March 1, 1928 notes. These bills for money actually paid by the Engineering and Management Corporation to H. M. Byllesby & Company make up the total of $169,355.00.

The October 1, 1925 lease from the Refining Company was not submitted to or authorized or approved by the Refining Company's Board of Directors, nor was the December 20, 1930 lease from the Refining Company to Deep Rock submitted to or authorized or approved by Deep Rock's Board of Directors.

The Engineering and Management Corporation sent bills direct to Deep Rock at its Tulsa or Oklahoma City office for management fees for services and for money paid out by the Engineering and Management Corporation.

"National users discounts" mean discounts allowed large purchasers, usually in a fixed percentage; "quantity discounts" mean discounts allowed purchasers whether National users or otherwise, depending on the amount or quantity of purchases, usually on a sliding scale, starting with a minimum fixed by the seller.

The Deep Rock directors did not at any directors meeting authorize J. C. Kennedy to transfer to M. A. Morrison, as Standard's nominee, any of the Refining Company stock.

Mr. Braheney's letter of December 22, 1925, to O. O. Kerr, Trustee's Exhibit Eye was not submitted to any meeting of the Deep Rock's Board of Directors.

(Note: Exhibit 5 to my answers, full copy omitted in this record, is a photostat copy of Deep Rock's note dated October 1, 1925, payable on or before October 1, 1926, to the Standard as payee, in the sum of $400,000.00, drawing eight per cent interest per annum. The Deep Rock's name was signed by Herbert List, Assistant Treasurer.

Exhibit 6 to my answers, full copy omitted in this record, is a photostat copy of a typewritten note of the Deep Rock, dated December 1, 1924, payable on or before December 1, 1925, to the Standard as payee, in the sum of $350,000.00, drawing eight per cent interest per anum. Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by H. C. Cummins, Vice-President.)

All the Deep Rock's stockholders' meetings were held in Chicago and Wilmington. The records of the minutes of the Directors meetings of Deep Rock were kept in Chicago, also the records of the stockholders' meetings.

The Gray Towers are attached to the cracking unit and are located on the land deeded to R. J. Graf, Trustee, and they cost $140,278.17, of which amount the Deep Rock paid $25,062.55 and the Deep Rock's receivers or trustee in bankruptcy paid $115,215.62.

(Note: Exhibit 7 attached to my answers, full copy omitted in this record, is a photostat copy of the agreement between Deep Rock and H. M. Byllesby and Company, Janney & Company and Federal Securities Corporation in re purchase and sale of $7,500,000 two-year six per cent gold notes of Deep Rock, under date of April 20, 1926, and is executed by Mr. Gordon, Vice-President of Deep Rock, and J. H. Briggs, Vice-President of H. M. Byllesby and Company. This is an underwriting agreement dated April 20, 1926, for the sale of Deep Rock's notes in that sum, dated April 15, 1926, and payable April 15, 1928. H. M. Byllesby and Company and the aforesaid associates agreed to purchase these notes. H. M. Byllesby and Company was to act as syndicate manager to the Bankers, and the purchase price of the notes was 96¾ per cent of the principal amount thereof, plus accrued interest from April 15, 1926, to date of payment. H. M. Byllesby and Company agreed to take $3,750,000.00 principal amount of the notes, Janney & Company, $2,625,000.00, and Federal Securities Corpora[illegible]n, $1,125,000.00.

Exhibit 8 to my answers is the printed prospectus upon which the $7,500,000.00 Deep Rock notes were sold, and will be found as Exhibit 6 to the "Stipulation in regard to claim of Standard Gas and Electric Company", and introduced in evidence on February 13, 1935, and for that reason is not further mentioned here.)

The $2,906.25 consideration for the deed executed by Deep Rock to R. J. Graf, Trustee (covering the premises upon which the Dubbs still and cracking plant are erected) was never paid in actual cash but was charged on Deep Rock's books against R. J. Graf, Trustee, and was part of the amount charged to Standard on October 1, 1925.

(Note: "Exhibit 9 of Francisco's Interrogatories", in-

cluded in full in this record, is a photostat copy of a note, dated Chicago, Illinois, December 31, 1926, for the principal sum of $4,250,000.00, maturing December 31, 1931, payable to Standard at 231 South LaSalle Street, Chicago, and drawing six per cent interest per annum, payable quarterly. The note is signed "Shaffer Oil and Refining Company" by Herbert List, Assistant Treasurer, and is countersigned by B. W. Lynch, Vice-President. The note shows interest payments endorsed on the back as follows:

March 31, 1927, Paid int. @ 6% to and incl. to 3/31/27 .....63,750.00

June 30, 1927, Paid Int. @ 6% to and incl. to 6/30/27 .....64,458.33

Sept. 30, 1927, Paid int. @ 6% to and incl. to 9/30/27 .....65,166.67

Dec. 31, 1927, Paid int. @ 6% to and incl. to 12/31/27 .....65,166.67

March 31, 1928, Paid int. @ 6% to and incl. to 3/31/28 .....64,458.33

April 12, 1928, Paid int. @ 6% to and incl. to 4/12/28 ..... 8,500.00)

This $4,250,000.00 Deep Rock note to Standard, dated December 31, 1926, was credited on Deep Rock's open account indebtedness to Standard, and overpaid Deep Rock's open account indebtedness to Standard by the sum of $2,331,325.53, as of December 31, 1926. I stated in my former examination that on October 1, 1925, the Deep Rock on its books charged Standard with $649,999.00 for securities owned by Deep Rock to record a sale of 8,325 shares of the Refining Company stock to Standard. That entry was actually entered on the Deep Rock's books some time between December 22, 1925, and December 31, 1925. The Bradstreet properties and additions thereto did not produce more oil and income in 1923 than they did in 1924, but they did produce more income and oil in 1924 than they did in 1923; The Bradstreet properties and additions thereto produced more income during the first nine months of 1925 than any former nine months period, but produced less oil than the nine months ending September 30, 1924. In my opinion the flush production of the Bradstreet properties and additions thereto was over with in the early part of 1928.

My first knowledge of an effort to obtain an extension of the maturity date of the $10,000,000.00 notes maturing March 1, 1933, was on May 5, 1932, and was learned from a letter from J. J. Madden, Assistant Secretary of Byllesby *Enginnering* and Management Corporation, (Exhibit 2 of my answers heretofore referred to) in which was enclosed the contracts between Deep Rock and H. M. Byllesby & Company and First Union Trust to accomplish that very thing. I knew that H. M. Byllesby and Company had been employed to secure extension of the notes, by reason of this communication received from J. J. Madden, Assistant Secretary of Byllesby Engineering and Management Corporation. I don't know who employed them.

Mr. Herbert List enclosed in his letter to me of February 14, 1927, a copy of Deep Rock's $4,250,000.00 note, dated December 31, 1926, payable to Standard, but I can not state definitely that this letter was the first time I knew about the note. The execution and issuance of the $4,250,000.00 Deep Rock note to Standard, dated December 31, 1926, was not authorized by any meeting of the Deep Rock's Board of Directors.

In a letter dated December 22, 1925, addressed to O. O. Kerr, General Auditor, Deep Rock, Tulsa, Oklahoma, and signed by B. F. Braheney, General Auditor, it is stated, among other things, that "As the new lease is dated October 1, 1925, and the stock was purchased under that date, Standard Gas and Electric Company will give Shaffer Oil and Refining Company the credit as above and *interest* on this amount will cease on that date so that any entries you have made in October and November allowing Standard Gas and Electric Company credit on Open Account in this amount will be reversed." The interest appearing on Deep Rock's books prior to the receipt of letter of December 22, 1925, in regard to the item of $649,999.00, was $125,845.45. Cash payment of interest in the amount of $12,341.04 was paid on the $649,999.00 or $650,000.00 by the Deep Rock to Standard on account of the purchase price of the Bradstreet properties.

To the best of my knowledge all checks of Deep Rock payable to Standard and drawn by Deep Rock's Chicago officials in Chicago subsequent to April 30, 1928, appear in this record as "Exhibit 11 of Francisco's Interrogatories."

(Note: Exhibit No. 11 contains photostat copies of nine checks, each drawn on the Continental Illinois Bank and Trust Company and each payable to the Standard Gas and Electric Company. The Deep Rock's signature to six of these checks was signed by Herbert List, Assistant Secretary, and countersigned by M. A. Morrison, Assistant Treasurer. Two of these checks show Deep Rock's name was signed by M. A. Morrison, Assistant Secretary, and countersigned by Herbert List, Assistant Treasurer, and one check was signed M. A. Morrison, Assistant Treasurer, and countersigned by Herbert List, Assistant Secretary.

These checks bear the following dates and amounts:

Sept. 17, 1932	$ 6,512.67
Sept. 28, 1932	2,505.81
Sept. 30, 1932	1,192.57
Oct. 4, 1932	3,700.00
Oct. 14, 1932	7,085.81
Nov. 30, 1932	105,489.83
Dec. 31, 1932	103,829.00
Jan. 31, 1933	105,631.11
Feb. 11, 1933	3,500.00)

Copies of memoranda received from Chicago by the Tulsa office of Deep Rock, advising of the issuing of the above checks, with the exception of memorandum covering check No. 140153A, dated February 11, 1933, in the sum of $3,500.00, appear in this record as "Exhibit 12 of Francisco's Interrogatories". These memoranda are addressed to the Deep Rock at its Tulsa office and consist of printed slips bearing the date of the check and advising the Deep Rock that on that date check No..... on Continental Illinois Bank and Trust Company had been drawn for the amount stated therein, payable to Standard. Each of these memoranda is signed "Byllesby Engineering and Management Corporation", the name being signed to two by J. J. Madden, and to six by F. A. Mendriski.

Witness:

The only correspondence regarding these payments is the following letters:

September 20, 1932.

Mr. J. J. Madden, Assistant Treas., Byllesby Engineering and Management Corp., 231 South LaSalle Street, Chicago, Illinois.

Dear Sir: We have your accounts payable advice No. 456 covering check drawn on our account in favor of Standard Gas and Electric Company in the amount of $6,512.67. Will you please advise what charges this payment covers?

Yours very truly,

O. O. KERR, (Sgd)
General Auditor.

Byllesby Engineering and Management Corporation.

September 26, 1932.

Mr. O. O. Kerr, General Auditor, Deep Rock Oil Corporation, Tulsa, Oklahoma.

Dear Sir: In reply to your letter of September 20th, relative to Accounts Payable Advice #456, covering check drawn in favor of Standard Gas and Electric Company for $6512.67, we wish to advise that this is to take up Standard Gas and Electric Company debits Nos. 29792, 29793, aggregating $6512.67.

Yours very truly,

P. A. LEHMKUHL, (Sgd)
Assistant Secretary.

On February 25, 1933, Deep Rock's check in the sum of $105,631.11 was drawn on the First National Bank of Chicago, payable to Standard. This check shows on its face that the Deep Rock's name was signed by W. R. Vaughan, and by W. R. Francisco, Treasurer. A photostat copy was attached to my answers to interrogatories as Exhibit 14, not included in this record. This check was drawn on my authority and to the best of my knowledge was not requested in writing or by telegraph, but my recollection is that the check was requested by long distance telephone from Chicago and I think the message came from R. J. Graf. This check was issued as payment "on account", and in my opinion $50,000.00 of the amount was in payment of rental on the Refining Company properties under the Refining Company lease of December 20, 1930, and interest for the month ending February 24, 1933,

in the amount of $55,631.11. This check was mailed on Saturday, February 25, 1933, in order to reach its destination in time for payment on the last day of the month.

The following is a statement of account between Deep Rock and R. J. Graf, Trustee, prior to October 1, 1925:

Stills and towers	$295,890.92
Condensers and coolers	33,969.38
Buildings	64,450.87
Tanks and foundations	52,444.53
Lines and connections	126,288.63
Treaters	18,829.31
Boilers, engines and pumps	85,952.82
Operating machinery and tools	46,708.75
Construction machinery and tools	8,937.17
Electrical equipment	12,909.18
Testing plant and cleaning up	11,905.98
Engineering, superintendence, etc.	103,010.25
Balance due Deep Rock Oil Corporation October 1, 1925	$861,297.79

The following is a statement of account between Deep Rock and J. C. Kennedy, Trustee, prior to October 1, 1925:

Telephone lines		$ 256.83
Lease rentals		9,966.13
Oil leases		103,996.01
Equipment on leases		548,272.86
Autos and trucks		2,159.43
General construction		104,015.27
Drilling		363,790.52
Construction credits		*1,500.00*
		$1,130,957.05
Less retirements:		
Dry holes drilled	$97,122.73	
Undeveloped leases surrendered	540.00	97,662.73
Balance due Deep Rock Oil Corporation October 1, 1925		$1,033,294.32

[Figures in italics were red in original.]

The following is a statement of account between Deep Rock and Refining Company for the period between October 1, 1925, and February 28, 1933:

Debits to the Account:		
Additions and betterments to oil and gas leaseholds (known as "Bradstreet Properties") representing materials, labor and equipment furnished in development of the oil properties and expenditures for cost of leases and rentals of undeveloped leases made by Deep Rock Oil Corporation	$2,418,904.29	
Additions and betterments to the "Cracking Stills" refinery plant unit representing materials, equipment and labor charges in improvement and enlarging the plant made and expended by Deep Rock Oil Corporation	732,810.43	
Additions and betterments to properties of Deep Rock Oil and Refining Company		$3,151,714.72
Credits to the Account:		
Materials and equipment transferred from "Bradstreet properties" to warehouse stocks or to producing properties of Deep Rock Oil Corporation during and after development of "Bradstreet Properties"	$ 976,960.77	
Materials sold	15,777.54	
Reclassifying development charges as operating expenses	48,931.85	
Transferring "Mehan Gas System" to "Norfolk Gas System" of Deep Rock Oil Corporation	107,792.85	
Undeveloped leaseholds transferred to Deep Rock Oil Corporation	5,322.50	
Dry hole contributions received	2,500.00	
Insurance recovery received	3,500.00	
Sundry unclassified credits	346.86	

Properties abandoned, cost of dry holes plugged, surrendered leases, and automobiles traded; all such losses so charged off absorbed by Deep Rock Oil Corporation and charged by it to Reserve for Depreciation and Depletion on its books	1,434,577.14
Adjustment of inventoried value of equip.	3,722.20
	$2,599,431.71
Balance of account due to Deep Rock Oil Corporation as at February 28, 1933	$ 552,283.01

I have prepared a statement showing the net earnings by years, after all charges, of the Bradstreet properties, commencing October 1, 1925. (This appears in this record as "Exhibit 16 of Francisco's Interrogatories.")

I have prepared a statement showing the net earnings by years, after all charges, of the cracking plant, commencing October 1, 1925. (This appears in this record as "Exhibit 17 of Francisco's Interrogatories.")

O. O. Kerr, answered Interrogatories submitted by counsel for the Trustee as follows:

I made the entry on the Deep Rock's books showing its purchase of 8,325 shares of Refining Company stock from J. C. Kennedy, Trustee, under the authority and direction of Mr. Braheney's letter addressed under date of December 22, 1925. (This is Trustee's Exhibit Eye).

The property and assets of the Refining Company prior to October 1, 1925, according to its books and records were the Bradstreet properties purchased in the name of J. C. Kennedy, Trustee, together with certain additional oil and gas leases purchased in the name of the Refining Company, and development costs prior to October 1, 1925, of the leases purchased from Bradstreet Oil Company and additional leases purchased in the name of the Refining Company. The following statement reflects the cost of properties owned by the Refining Company immediately prior to October 1, 1925:

Telephone lines	$ 756.83
Rentals paid on undeveloped leases not surrendered	9,966.13
Oil and gas leases	448,963.62
Equipment on leases	850,715.25
Autos and trucks	3,209.43
Real Estate	500.00
General construction	104,015.27
Drilling	266,667.79
Construction credits	*1,500.00*
	$1,683,294.32

[Figures in italics appear in red in original.]

There was an account between the Refining Company and Standard opened on the Refining Company's books during the month of December, 1925, as of October 1, 1925. There is nothing on the Refining Company's books charged against J. C. Kennedy, Trustee, or R. J. Graf, Trustee.

The Refining Company's books disclose that the account amounting to $1,894,592.11 referred to in Francisco's testimony is composed of the open accounts as shown by the books of Shaffer Oil and Refining Company against the following, which had been assumed by Standard as of October 1, 1925:

R. J. Graf, Trustee	$ 861,297.79
J. C. Kennedy, Trustee	1,033,294.32
Total	$1,894,592.11

The Refining Company's income was included in the consolidated Federal income tax returns of Standard and affiliated corporations. Taxes applicable to the net taxable income of the Refining Company for the year 1925 were billed to the Refining Company by Standard, and the credit thus created to Standard was subsequently transferred to Deep Rock and the taxes applicable to the net taxable income of the Refining Company for the years 1926 and 1927, were billed to Deep Rock by Standard in accordance with lease agreements between Deep Rock and the Refining Company. The Refining Company's Federal income taxes thus assumed by Deep Rock were as follows:

For the year 1925	$ 29,565.11
For the year 1926	81,000.00
For the year 1927	81,000.00
Total	$191,565.11

No charges have been received by Deep Rock or the Refining Company for Federal income taxes for any period subsequent to the year 1927.

The Oklahoma income of the Refining Company for the years 1931 and 1932 was included in the consolidated return of Deep Rock and subsidiary companies. This was done on the premise that Article 100 of the regulations prescribed by the Oklahoma Tax Commission permits the filing of a consolidated return in cases where substantially all of the capital stock of two or more corporations is owned or controlled by the same interest. By filing in this manner, the Refining Company incurred no tax liability. The Oklahoma Tax Commission subsequently held that the Refining Company should be assessed on the basis of a separate return and assessed tax for the year 1931 in the amount of $20,136.76, and for the year 1932 in the amount of $20,597.03. I have been advised that hearing was had before the Tax Commission in April, 1933, and that the Commission decided adversely to the Refining Company; and as the properties of the Refining Company were in the hands of the receivers for Deep Rock, the Commission decided to file claim with the Receivers. Claims were filed by the Oklahoma Tax Commission for tax, interest, and penalty for the year 1931 in the sum of $24,365.47, and for tax, interest, and penalty for the year 1932 in the sum of $22,347.78.

The Refining Company filed a separate return for its Oklahoma income for the year 1933, showing no tax liability, and no tax has been assessed. The Refining Company filed income tax returns for its income in the State of Arkansas for the years 1928 to 1933, inclusive.

Tax was paid on such income by the Deep Rock as follows:

For year 1928	$360.89
For year 1929	390.19
For year 1930	230.20
For year 1931	129.55
For year 1932	110.12
For year 1933	No tax liability

For the period February 21, 1923, to December 31, 1923, the Refining Company filed Federal "Information Return of Subsidiary or Affiliated Corporation, Form 1122." The Company had no income during that period.

For the period January 1 to September 30, 1925, the Refining Company filed a Federal income tax return with the revenue office at Oklahoma City, indicating no tax liability, and for the period October 1 to December 31, 1925, the income of the Refining Company was included in the consolidated return of Standard and its affiliated corporations. The tax applicable to the income of the Refining Company for the period October 1, 1925, to December 31, 1925, was billed to the Refining Company by Standard, and Standard was given credit for the tax on the Refining Company's books; then the amount of the tax was assumed by Deep Rock, for which it was charged by Standard in accordance with the lease agreement between the Deep Rock and the Refining Company.

For the period from October 1, 1925, to December 31, 1932, the Refining Company's income was included in the consolidated return of the Standard and its affiliated corporations. The tax applicable to the income of the Refining Company for the period October 1, 1925, to December 31, 1925 was billed to Refining Company by Standard, and the credit thus created on the books of Refining Company was transferred to Deep Rock and the amount of tax assumed by Deep Rock. The Refining Company's income taxes for the years 1926 and 1927 was billed to Deep Rock by Standard and assumed by Deep Rock in accordance with the lease agreement between it and the Refining Company. The Refining Company's Federal Income taxes assumed by the Deep Rock were as follows:

Year 1925	$ 29,565.11
Year 1926	81,000.00
Year 1927	81,000.00
Total	$191,565.11

No charges have been received by Deep Rock or Refining Company for Federal Income tax for any period subsequent to the year 1927.

The Refining Company has never paid any office rent. The reason the Refining Company never paid any office rent is found in paragraph one of the lease agreement dated October 1, 1925, (Exhibit A to Trustee's Amended Objections) and the lease dated December 20, 1930, (Exhibit B to Trustee's Amended Objections) which provided, among other things, that the Deep Rock was to receive all gross earnings and pay

and account for all operating expenses, interest, depreciation and depletion in connection with said property, and pay any and all carrying charges that might be incurred in connection with the said property. The Refining Company was not an operating company and the records maintained were not extensive, and the office space occupied was insignificant.

The Refining Company has never paid for any telephone or telegraph services. Deep Rock paid for all such services as provided in the two lease agreements of October 1, 1925, and December 20, 1930.

Construction of cracking still unit No. 5 was commenced in January, 1925, while work on unit 5-A, the next in line, was started in January, 1931. Still unit 5-A was not built as a separate or self-contained unit but as the result of three general phases of construction and replacement. The first stills consisted of four 500-barrel daily capacity Dubbs units, known as Nos. 1, 2, 3 and 4, with all necessary buildings, tankage, lines and connections, and utilities. By installation of hot oil pumps and other changes in 1924, the capacity was brought up to 800 barrels for each unit. The Construction cost amounted to $695,268.26, composed of such items as stills and towers, condensers and coolers, buildings, tanks and foundations, lines and connections, treaters, boilers, engines and pumps, operating machinery and tools, construction machinery and tools, electrical equipment, testing and cleaning up, engineering, superintendence, etc., Gray Towers and stabilizers.

In January, 1925, construction was started on an additional unit of 800 barrels capacity, known as No. 5, for the purpose of increasing the total capacity of the cracking plant, not as a replacement. Necessary charges and additions were made to the then existing tanks, lines and connections, and utilities. Construction costs of the 800 barrel unit No. 5 amounted to $375,350.58, consisting of practically the same items, such as Stills and towers, etc., above set forth.

In January, 1931, dismantling of the distillation section (only) of unit No. 5 was commenced to make room for the present 4,000-barrel unit, known as No. 5-A, in the construction of which considerable material from unit No. 5 was used. During 1932, changes were made in cracking unit No. 4 of the original installation so that it might be used for the reduction of flash residuum to pitch in connection with the 4,000-barrel

unit. Also during 1933 additions of a unit to the Gray vapor phase treating process and a gasoline stabilization plant were made. The amount expended for these improvements was $523,489.38. The total construction cost of all these installations was $1,594,108.22, as shown on the Refining Company's books.

Referring to claimant's Exhibit 12, entitled "Basis for Appraisal January 1, 1919," which was computed by officials of Deep Rock in 1930, it is my understanding that the last item of 35,000,000 gallons annual tank car sales, at an appraised value of $1,500,000 represents the intangible value to the corporation of its annual refined oil tank car business at January 1, 1919, which consisted principally of sales to jobbers, affiliated organizations, and other more or less controlled outlets, a substantial portion of which was sold on a marginal basis; also that the basis of this valuation was the customary basis for valuation of such classes of business in 1930. It is my understanding that the item of 30,000,000 gallons annual station sales shown in claimant's Exhibit 12 represents the tangible value of all distributing facilities, and that the rate per gallon used was the customary rate for valuing such properties in 1930.

John L. Gray's salary as an officer of the Deep Rock was $9,000.00 for the period from October 1, 1924, to December 31, 1924, $36,000.00 annually for the years 1925, 1926, 1927, 1928, 1929 and 1930, $33,900.00 for 1931, $32,400.00 for 1932, and $5,400.00 for the period January 1, 1933, to February 28, 1933. This was paid by Deep Rock.

L. B. Riddle's salary as an officer of the Deep Rock was $7,916.64 for the period from March 16, 1922, to December 31, 1922, $12,000.00 annually for the years 1923 and 1924, $13,500.00 for 1925, $18,000.00 annually for the years 1926, 1927, 1928, 1929, and 1930, $16,950.00 for 1931, $16,200.00 for 1932, and $2,700.00 for the period January 1, 1933, to February 28, 1933. This was paid by Deep Rock.

The Presidents of the Refining Company were as follows:

R. G. Hunt, March 22, 1923, to March 26, 1925.

John L. Gray, March 27, 1925, to April 14, 1933.

B. L. Majewski, elected on April 15, 1933, and still holding office on December 18, 1934.

The items composing the $1,708,303.31, stated in Standard's

Annual Report for the year ending December 31, 1928 as being amount expended for improvements and additions to production and refining departments, pipe line and distributing systems by the Deep Rock during 1928, are as follows:

Producing and Pipe Line Departments:

Oil leases	$ 579,233.20	
Equipment on leases	584,462.70	
Drilling	427,099.40	
Fee lands	8,825.00	
Telephone lines	4,829.32	
Pipe line extensions	44,867.59	
Miscellaneous	33,643.68	
	$1,682,960.89	
Less Autos, Trucks, and Furniture and Fixtures retired from service, net	14,213.23	$1,668,747.66
Casinghead Gasoline Department:		
Retirements exceeded additions by		*2,258.36*
Refinery Department:		
Sundry Additions		26,014.97
Marketing Department and Subsidiary Marketing Companies:		
Additions to Distributing facilities		14,837.66
General Office:		
Furniture and Fixtures		961.38
Total		$1,708,303.31

[Figures in italics appear in red in original.]

As the Refining Company never had a bank account, it never paid for any of the properties standing in its name or the name of R. J. Graf or J. C. Kennedy. The transaction was handled as follows: The Refining Company's records show that it issued 9,000 shares of its no par value capital stock in payment of oil properties purchased from the Bradstreet Oil Company by J. C. Kennedy, Trustee, and that it credited the open account of Standard in the amount of $1,894,592.11 to cover accounts as shown by the books of Deep Rock against R. J. Graf, Trustee, and J. C. Kennedy, Trustee, which were assumed by Standard as of October 1, 1925. The accounts with R. J. Graf, Trustee, and J. C. Kennedy, Trustee, assumed by Standard, represented net advances made by Deep Rock to R. J. Graf, Trustee, and J. C.

Kennedy, Trustee, or by the Refining Company for construction of and improvements to the cracking plant and for the purchase and development of oil and gas properties prior to October 1, 1925. On December 31, 1926, the Refining Company issued its demand note in favor of Standard in the amount of $1,894,592.11 in settlement of this portion of its open account.

There was no election of directors or any meetings of the stockholders of the Refining Company between February 27, 1923, and March 27, 1925.

Byllesby Engineering and Management Corporation never sent any bills to the Refining Company for engineering services or management fees, or for any money advanced or paid out by it. The Engineering and Management Corporation sent a bill to Deep Rock for engineering fee in connection with the construction of the original four units of the cracking plant, in the amount of $48,000.00, which the Deep Rock charged to R. J. Graf, Trustee, on its books.

From December 31, 1925, to and including December 30, 1933, Standard sent the Refining Company 113 separate bills, totaling $6,532,158.02. One of these items is $1,894,592.11 on December 31, 1925, and on the same date another bill for $225,000.00, and on July 31, 1926, for $300,000.00; then for the months of July, August, September, October, November and December, 1926, $50,000.00 each month; also separate bills for $50,000.00 each for the 12 months of 1927 and an additional bill in July, 1927, for $40,500.00; also separate bills for $50,000.00 each for all the months in the years 1928, 1929, 1930, and separate bills for $50,000.00 each for January, February and March, 1931. The lowest among these 113 bills is for the sum of $5,792.85. Copies of each and every one of these bills appear in this record as "Exhibit 1 of Kerr's Interrogatories."

During the period from the date of Deep Rock's organization to February 28, 1933, Deep Rock received a total of 254 bills from the Engineering and Management Corporation, totaling $1,516,116.25. The first bill was dated September 26, 1919, for $2,831.80. One bill was dated December 23, 1921, for "Supervision fee for the calendar year 1921, $99,034.83"; one bill dated December 31, 1922, for "Engineering fee", etc., in the sum of $48,000.00; one bill dated December 31, 1934, for "Fee covering general supervision of your property for

the twelve months ending December 31, 1924, $100,000.00"; also bill dated December 25, 1925, for "Supervision of your property for the year 1925, $100,000.00"; also bill dated December 31, 1926, for "Supervision for your property for the year 1926, $200,000.00"; also bill dated December 31, 1927, for "General supervision fees for the year 1927, $20,000.00"; bill dated December 31, 1928, "Supervision fees for the year 1928, $200,000.00"; bill dated December 31, 1929, for "Supervision fees for the year 1929", $200,000.00; bill dated December 31, 1930, for "Supervision fees for the year ending December 31st, 1930, $200,000.00", and one bill dated December 31, 1931, for "Supervision fees for the year ending December 31st, 1931", $100,000.00. The lowest among these 254 bills is for the sum of 20 cents and dated December 31, 1928. Copies of a few of these bills, typical of all the rest appears in this record as "Exhibit 2 of Kerr's Interrogatories." (This original Exhibit 2 is composed of 65 pages, 8-½ by 13 inches in size, showing the itemized bills rendered Deep Rock by the Engineering and Management Corporation from September 26, 1919, to February 28, 1933.)

The 4th item on the credit sheet of Exhibit A to Standard's claim credits the Deep Rock with payment of $500,000.00 rentals on the Refining Company properties. It appears from the credit page of Exhibit A to Standard's claim that the Standard credited Deep Rock with this $500,000.00 as follows: $300,000.00 in the year 1928, $100,000.00 in the year 1932, and $100,000.00 in the year 1933. During the year 1928 the Deep Rock paid Standard $300,000.00 by checks on the open account due Standard by the Refining Company, which account was transferred to Deep Rock. Payments were made as follows:

	Amount of Check	Amount Representing Above-mentioned Balances
June 8, 1928	$50,000.00	$50,000.00
July 13, 1928	50,000.00	50,000.00
Aug. 6, 1928	50,000.00	50,000.00
Sept. 28, 1928	50,000.00	50,000.00
Nov. 13, 1928	50,042.40	50,000.00
Nov. 30, 1928	50,016.96	50,000.00
Total		$300,000.00

(Note: Exhibit 3 to my answers, full copy omitted in this record, is a photostat copy of the above six checks, and the Deep Rock's signature was attached to these checks by Vaughan and Francisco, Kerr and Francisco, and Kerr and Vaughan.)

During the years 1932 and 1933, certain payments were made to Standard by Deep Rock upon open account, and it is my opinion that a portion of such payments was intended to cover payment of the open account due Standard by the Refining Company, which account was transferred to Deep Rock. Such payments were as follows:

	Amount of Check	Amount Representing Above-mentioned Balances
Nov. 30, 1932	$105,489.83	$50,000.00
Dec. 31, 1932	103,829.00	50,000.00
Total		$100,000.00
Jan. 31, 1933	105,631.11	50,000.00
Feb. 25, 1933	105,631.11	50,000.00
Total		$100,000.00

(Note: Exhibit 4 to my answers, full copy omitted in this record, is a photostat copy of the two checks dated November 30, 1932, and December 31, 1932. The Deep Rock's name was signed to the $105,489.83 check by Herbert List, Assistant Secretary, and countersigned by M. A. Morrison, Assistant Treasurer. The Deep Rock's name was signed to the $103,-829.00 check by M. A. Morrison, Assistant Secretary, and countersigned by Herbert List, Assistant Treasurer.

Exhibit 5 to my answers, full copy omitted, is a photostat copy of the two checks dated January 31, 1933, and February 25, 1933. The Deep Rock's name was signed to the January 31, 1933 check by Herbert List, Assistant Secretary, and countersigned by M. A. Morrison, Assistant Treasurer, and to the other check by W. R. Vaughan, and by W. R. Francisco, Treasurer.)

The Deep Rock's Federal income tax returns were prepared in the Chicago office of Haskins & Sells, and copies for all periods not consolidated with Standard and affiliated

corporations, except the year 1919, may be found there, and likewise in the files of the Deep Rock at its Tulsa office.

The income and deductions of the Refining Company were included in the consolidated Federal income tax returns of the Standard and its affiliated corporations for each period from October 1, 1925, to December 31, 1933. The income, deductions, and taxable net income included in such consolidated returns as applicable to the Refining Company for each of such periods, are set out below as follows:

	Gross Income (Rentals Received)	Deductions (Interest Paid)	Taxable Net Income
October 1 to December 31, 1925	$225,000.00	.....	$225,000.00
1926	600,000.00	.....	600,000.00
1927	600,000.00	.....	600,000.00
1928	600,000.00	.....	600,000.00
1929	600,000.00	.....	600,000.00
1930	600,000.00	.....	600,000.00
1931	600,000.00	$134,463.42	465,536.58
1932	600,000.00	134,831.81	465,168.19
1933	100,000.00	132,621.45	*32,621.45*

[Figures in italics appear in red in original.]

For the period February 21, 1923, to December 31, 1923, the Refining Company filed an Information Return of Subsidiary or Affiliated Corporations reporting no income. For the period January 1 to September 30, 1925, the Refining Company filed a Federal Income tax return with the Oklahoma City Internal Revenue Office indicating no tax liability in the following words "this Company leased its entire property to Shaffer Oil and Refining Company, Tulsa, Oklahoma, which Company received all the income therefrom and paid all expenses. This company had neither income nor expense."

(Note: Copy of the return is shown by Exhibit 11 to my answers, but it is not included in this record.

Sixteen dividends on the preferred stock of Deep Rock were declared quarterly for the quarter ending September 30, 1919, to quarter ending June 30, 1923, at the rate of 1-¾%; three dividends at 1-¾% quarterly for the quarter ending June 30, 1926 to quarter ending December 31, 1926; one dividend of 19-¼ per cent declared on December 15, 1926 for un-

paid accumulated dividends; sixteen dividends at $1.75 per share quarterly for quarter ending March 31, 1927 to quarter ending December 30, 1930.

On the common stock of Deep Rock, a dividend of $7.00 per share was declared on December 15, 1926; $1.50 per share on December 31, 1928; and $1.75 per share on February 24, 1930. On the Class A common stock only one dividend was declared, being $7.00 per share on December 15, 1926.

Dividends were declared by Deep Rock on preferred and common stock, as follows:

Preferred Stock Dividends.

Date Declared	Date Payable	Period Covered	Rate
Sept. 8, 1919	Oct. 25, 1919	Quarter ending Sept. 30, 1919	1-3/4%
Dec. 31, 1919	Jan. 25, 1930	" " Dec. 31, 1919	1-3/4%
Mar. 31, 1920	Apr. 25, 1920	" " Mar. 31, 1920	1-3/4%
June 9, 1920	July 25, 1920	" " June 30, 1920	1-3/4%
Sept. 22, 1920	Oct. 25, 1920	" " Sept. 30, 1920	1-3/4%
Dec. 30, 1920	Jan. 25, 1921	" " Dec. 31, 1920	1-3/4%
Mar. 18, 1921	Apr. 25, 1921	" " Mar. 31, 1921	1-3/4%
June 29, 1921	July 25, 1921	" " June 30, 1921	1-3/4%
Sept. 19, 1921	Oct. 25, 1921	" " Sept. 30, 1921	1-3/4%
Dec. 14, 1921	Jan. 25, 1922	" " Dec. 31, 1921	1-3/4%
Mar. 22, 1922	Apr. 25, 1922	" " Mar. 31, 1922	1-3/4%
June 22, 1922	July 25, 1922	" " June 30, 1922	1-3/4%
Sept. 27, 1922	Oct. 25, 1922	" " Sept. 30, 1922	1-3/4%
Dec. 26, 1922	Jan. 25, 1923	" " Dec. 30, 1922	1-3/4%
Mar. 21, 1923	Apr. 25, 1923	" " Mar. 31, 1923	1-3/4%
June 27, 1923	July 25, 1923	" " June 30, 1923	1-3/4%
Apr. 16, 1926	July 25, 1926	" " June 30, 1926	1-3/4%
Sept. 1, 1926	Oct. 25, 1926	" " Sept. 30, 1926	1-3/4%
Dec. 15, 1926	Jan. 25, 1927	" " Dec. 31, 1926	1-3/4%
Dec. 15, 1926	Jan. 25, 1927	Unpaid accumulated dividends	19-1/4%
Mar. 9, 1927	Apr. 25, 1927	Quarter ending Mar. 31, 1927	1-3/4%
June 1, 1927	July 25, 1927	" " June 30, 1927	1-3/4%
Sept. 7, 1927	Oct. 25, 1927	" " Sept. 30, 1927	1-3/4%
Dec. 7, 1927	Jan. 25, 1928	" " Dec. 31, 1927	1-3/4%
Mar. 9, 1928	Apr. 25, 1928	" " Mar. 31, 1928	1-3/4%
June 14, 1928	July 25, 1928	" " June 30, 1928	$1.75 Per Sh.
Sept. 12, 1928	Oct. 25, 1928	" " Sept. 30, 1928	$1.75 " "
Dec. 13, 1928	Jan. 25, 1929	" " Dec. 31, 1928	$1.75 " "
Mar. 9, 1929	Apr. 25, 1929	" " Mar. 31, 1929	$1.75 " "
June 12, 1929	July 25, 1929	" " June 29, 1929	$1.75 " "
Sept. 5, 1929	Oct. 25, 1929	" " Sept. 30, 1929	$1.75 " "
Dec. 4, 1929	Jan. 25, 1930	" " Dec. 31, 1929	$1.75 " "
Mar. 19, 1930	Apr. 25, 1930	" " Mar. 31, 1930	$1.75 " "
June 11, 1930	July 25, 1930	" " June 30, 1930	$1.75 " "
Sept. 9, 1930	Oct. 25, 1930	" " Sept. 30, 1930	$1.75 " "
Dec. 12, 1930	Jan. 24, 1931	" " Dec. 30, 1930	$1.75 " "

Common Stock and Class A Common Stock Dividends.

Date Declared	Date Payable	Stock of Record	Rate
Dec. 15, 1926	Jan. 25, 1927	Dec. 31, 1926	$7.00 per share Common
Dec. 15, 1926	Jan. 25, 1927	Dec. 31, 1926	$7.00 " " Class A
Dec. 31, 1928	Jan. 15, 1929	Dec. 31, 1928	$1.50 " " Common
Feb. 24, 1930	Feb. 28, 1930	Dec. 31, 1929	$1.75 " " "

H. M. Byllesby & Company presented Deep Rock with a bill dated August 22, 1922, for $142,850.49, of which amount Deep Rock charged $107,850.49 to Organization Expenses for services rendered in 1919 on its books.

Oklahoma ad valorem taxes on the cracking plant, standing in the name of R. J. Graf, Trustee, were paid by Deep Rock as shown by the following:

Taxes for Year	Property Assessed in Name of	Taxes Paid
1923	R. J. Graf, Trustee	$ 598.16
1924	" " "	3,629.04
1925	" " "	3,712.92
1926	Refining Company	4,437.32
1927	" "	3,762.70
1928	" "	3,213.08
1929	" "	3,507.60
1930	" "	2,542.79
1931	" "	2,220.20
1932	" "	2,358.98
1933	" "	2,589.87

The Deep Rock paid all of the above taxes as part of its obligation under the lease agreements, although the property was assessed in the name of R. J. Graf, Trustee, in the years 1923 through 1925, inclusive, and in the name of the Refining Company for the remaining years. Deep Rock has paid state ad valorem taxes on the land upon which the cracking plant is located for each of the years from 1923 to 1931, inclusive, taxes for the year 1932 and 1933 were paid by receivers for Deep Rock. The land was assessed in the name of Deep Rock, as the deed to R. J. Graf, Trustee, had not been filed for record. These taxes are included in the taxes paid by Deep Rock covering its refinery and tank farm sites, and no segregation has been made because the Deep Rock was under obligation to pay the taxes on the cracking plant according to the terms of its leases from the Refining Company.

The Refining Company never borrowed any money from a bank, but was, however, indebted to Standard and Deep Rock. The indebtedness to Standard was created in the amount of $1,894,592.11 to cover accounts, as shown by the books of the Deep Rock, against R. J. Graf, Trustee, and J. C. Kennedy, Trustee, which were assumed by Standard as of October 1,

1925. The accounts with R. J. Graf, Trustee, and J. C. Kennedy, Trustee, assumed by Standard, represented net advances made by Deep Rock to R. J. Graf, Trustee, and J. C. Kennedy, Trustee, and/or the Refining Company for construction of and improvements to the cracking plant and for the purchase and development of oil and gas properties prior to October 1, 1925. On December 31, 1926, the Refining Company issued its demand note in favor of Standard in the amount of $1,894,592.11 in settlement of this account. The indebtedness to Deep Rock was created by advances made by Deep Rock from time to time for improvements and betterments to the cracking plant and for the purchase and development of oil and gas properties subsequent to October 1, 1925. The amounts of such advances have varied from month to month. The balance owing to the Deep Rock on February 28, 1933, was $552,283.01 on open account.

Referring to the 27th item in the debit column of Exhibit A to Standard's claim, $451,237.33, entitled "Sale of Shaffer Oil and Refining Company 8's of 1923 to Standard", I say that was a part of an issue of coupon notes dated May 1, 1921, issued under Trust Agreement between Deep Rock and Commercial Trust and Savings Bank, Trustee, of Chicago. The 28th item in the debit column of Exhibit A to Standard's claim represents notes in the amount of $175,000.00 given Standard in payment for Home Oil Company stock and was also a part of the Deep Rock's May 1, 1921, issue of notes.

The 32nd item in the debit column of Exhibit A to Standard's claim totaling $750,000.00, consisted of two notes in the amounts of $400,000.00 and $350,000.00 payable to Standard and surrendered by Standard and the $750,000.00 charged to Deep Rock's open account. The original $350,000.00 note was dated December 1, 1922, due in one year after date, and was renewed on maturity two times. The $400,000.00 note was originally executed October 1, 1922, due one year after date, and was renewed on maturity three times. Both notes drew 8% interest.

(Note: Exhibit 7 to my answers, not included in this record, is the last renewal of the $400,000.00 note, dated October 1, 1925, and shows Deep Rock's name was signed by Herbert List, Assistant Treasurer and countersigned by R. J. Graf, Vice-President.)

(Note: Exhibit 8 to my answers, not included in this record, is the last renewal of the $350,000.00 note, dated December 1, 1924, and shows Deep Rock's name was signed by Herbert List, Assistant Treasurer, and countersigned by H. C. Cummins, Vice-President.)

Deep Rock's original cancelled note executed to Standard under date of December 31, 1926, and due December 31, 1931, in the sum of $4,250,000.00, is not in the Deep Rock's Tulsa office.

Deep Rock paid the premiums on the fire and tornado insurance on the Dubbs stills and cracking plant during the years 1923 to 1933 as provided for in its lease agreements with the Refining Company. The cracking plant was included in the same policies covering fire and tornado insurance on the Deep Rock's Cushing refinery, and were payable to the Deep Rock. The policies contained the following endorsement dated September 1, 1923: "Notice is hereby accepted and it is understood and agreed that this policy extends to and includes also as an assured hereunder, R. J. Graf, Trustee".

There was fire and tornado insurance on the cracking plant during the year 1926 to 1933, inclusive, and the Deep Rock paid the premiums under the December 20, 1930 Refining Company lease. At the beginning of 1926 the cracking plant was included in the fire and tornado policies along with the Deep Rock's Cushing refinery, which policies contained the following clause: "Notice is hereby acknowledged that title to cracking plant is vested in R. J. Graf, Trustee, but nevertheless the adjustment of claim for loss or damage thereon shall be made with Shaffer Oil and Refining Company, and payment, therefore, shall also be made to Shaffer Oil and Refining Company, and loss, if any, on all other property (excepting stock, supplies, and empty containers) shall be payable to Continental and Commercial Trust and Savings Bank as Trustee as interest may appear." On May 26, 1927, the above endorsement was changed to show that title was vested in the Refining Company; otherwise, the wording remained the same. Subsequent to May 26, 1927, Deep Rock's Cushing Refinery and the cracking plant were covered for both fire and tornado under a blanket policy which included other properties, and the assured was shown as Deep Rock, its allied, subsidiary, affiliated and associated companies,

and/or for account of whom it may concern, loss, if any, to be adjusted with and payable to Deep Rock.

Mr. Moody testified that certain auxiliary equipment was installed at the Refining Company's cracking plant, such as re-run stills, treating plants, and things of that kind, and that Mr. Grenacher and the Deep Rock's engineer looked after the installation and construction of this auxiliary equipment. Mr. Moody also testified that this auxiliary equipment cost $276,065.95.

Deep Rock paid for the auxiliary equipment and charged the $276,065.95, cost thereof, to R. J. Graf, Trustee, Mr. Moody testified this auxiliary equipment such as re-run stills, treating plants, etc. was installed at the Refining Company's cracking plant. Mr. Grenacher was an employee of the Engineering and Management Corporation and that corporation billed Deep Rock for $1,262.50 for Grenacher's time devoted to construction of the cracking plant, and that much was charged by Deep Rock to R. J. Graf, Trustee.

Referring to claimant's Exhibit 14, being the consolidated income statement of Deep Rock and subsidiary companies, and the item therein called "Appropriation for Retirement and Depletion Reserve", it appears from the consolidated income statement of Deep Rock and subsidiaries that the item of appropriation for retirement and depletion reserve was provided for the retirement of all assets, classified as property account, owned by Deep Rock and subsidiary companies and for the property operated by Deep Rock under leases from the Refining Company.

The properties acquired at date of organization of Deep Rock have not been segregated as to classes of assets on the Company's books pending determination of values for tax purposes by the Internal Revenue Department, and for this reason there was no segregation of the reserve applicable to each class.

I have prepared a statement showing the charges made to the retirement and depletion reserve on Deep Rock Books for each year, which appears in this record as "Exhibit 7-A of Kerr's Interrogatories."

The following is offered as a reconciliation of the balance

remaining in the Retirement (Depreciation) and Depletion Reserve at February 28, 1933, as shown by the books:

Appropriated from earnings, as shown by Consolidated Income Statement	$14,447,920.64
Special Reserve for reduction of property	5,040,000.00
Reserves of subsidiary companies at date of acquisition of such companies	195,435.68
Total provision for Retirement and Depletion	$19,683,356.32
Less charges to Reserves, as shown by Exhibit No. 7-A	16,018,261.27
Balance February 28, 1933, per books	$ 3,667,095.05

During the taxable periods, January 1, 191[illegible], to December 31, 1932, Deep Rock and subsidiary companies claimed deductions in the general classification of retirement and depletion, a net total of $31,535,797.67 for Federal Income tax purposes, for depreciation and depletion and for retirement loss consisting of dry holes drilled, leases surrendered, loss or gain on producing wells plugged and abandoned and loss or gain on capital assets sold or abandoned. I understand the Internal Revenue Department has disallowed these deductions for all periods, excepting the periods from April 12 to December 31, 1921, and the years 1922 and 1923, pending the determination of value of the properties originally purchased in 1919.

I have prepared a statement which is a comparison of this amount as claimed as a deduction in the Federal income tax returns of Deep Rock and subsidiary companies with the amounts claimed as deduction for these same items in the consolidated income statement of Deep Rock Oil Corporation and subsidiary companies, being depreciation, depletion, obsolescence, abandonments, dry holes (including drilling costs amortized during 1919 and 1920), and other retirement losses or gains. This statement appears in this record as "Exhibit 9 of Kerr's Interrogatories." The Deep Rock's general office was located in Chicago from its incorporation until December 1, 1924, when they were moved to Tulsa, Oklahoma. The deductions for depreciation and depletion were computed by the company officials in Chicago for the years 1919 to 1922, inclusive, and by the company officials in Tulsa and Chicago for the years 1924 to 1927 inclusive.

(Note: Witness stated that the amounts claimed as net deductions in the Deep Rock's Federal income tax returns for the periods from January 1, 1919, to December 31, 1932, are shown in Exhibit 8-A to his answers, not included in the record.)

(Note: Witness further stated that Exhibit 9 to his answers is a comparison of the amounts claimed as deductions in the Deep Rock's consolidated income tax statements for itself and subsidiary corporations, covering depletion, depreciation, obsolescence, abandonments, dry holes (including drilling costs amortized during 1919 and 1920) and other retirement losses or gains.)

I have prepared a statement which compares the net income of Deep Rock and subsidiary companies, as shown by the consolidated income statement on its own books, as compared with the net taxable income as shown by the Federal income tax returns for Deep Rock, and points out the various items which caused the difference in the two statements. This statement appears in this record as "Exhibit 10 of Kerr's Interrogatories."

Referring to claimant's Exhibit 14, from which it appears that the total sum of $717,765.26 was taken into account in determining the surplus of the Deep Rock, I have prepared a statement which appears in this record as "Exhibit Y of Kerr's Interrogatories."

Deep Rock paid Federal income and excess profit taxes for the following years and in the following amounts:

Year 1919	$ 77,600.65
Year 1920	95,770.01
Year 1921	43,944.02
Year 1926	157,946.27
Total	$375,260.95

Deep Rock's Federal income tax returns were included in the consolidated returns of Standard and subsidiary and/or affiliated corporations for the following periods: April 12, 1921 to December 31, 1923, and April 1, 1928 to September 30, 1931.

Haskins & Sells, who prepared the Federal income tax returns of Standard, advise that:

"The inclusion of Deep Rock Oil Corporation and subsidiaries in the consolidated Federal income tax returns filed by Standard Gas and Electric Company during the taxable periods mentioned hereinbefore resulted in a saving in tax to the former on the basis of the returns as filed. This saving was realized for the following taxable periods and in the following amounts:

April 12 to December 31, 1921	$34,800.43
April 1 to December 31, 1928	13,363.55
Total	$48,163.98

On the basis of a final determination of the taxable net income of Standard Gas and Electric Company and subsidiary corporations for 1921, the above savings of $34,800.43 for the taxable period April 12 to December 31, 1921, was reduced to $1,197.11.

"Additional savings in Federal income tax have been realized by Deep Rock Oil Corporation by reason of the inclusion of Deep Rock Oil and Refining Company in the consolidated returns filed by Standard Gas and Electric Company. In the allocation of the tax chargeable to the various subsidiaries included in the consolidated returns filed by Standard Gas and Electric Company, a portion of net losses of subsidiaries in the consolidated group (including Deep Rock Oil Corporation and subsidiaries for certain taxable periods) was applied in certain years to taxable net income of Deep Rock Oil and Refining Company thereby reducing the tax to the latter company which tax was charged to Deep Rock Oil Corporation under the terms of the lease agreement."

Provision for depreciation, depletion and retirement losses sustained by Deep Rock on the assets of the Refining Company was included in the general appropriation for retirement and depletion on the Deep Rock's books, but no separate provision was made for depreciation and depletion or retirement losses sustained on the assets of the Refining Company.

Prior to January 1, 1928, no segregation was made of the amount claimed in the Federal income tax returns as depreciation and depletion of the assets of the Refining Company. Subsequent to January 1, 1928, the following amounts were claimed by Deep Rock in the Federal income tax returns as depreciation and depletion, applicable to properties owned by

the Refining Company, and these amounts were included in the deductions claimed as additional rental:

	Claimed Account of Depreciation	Claimed Account of Depletion	Total
Year 1928	$ 66,179.02	$133,404.32	$199,583.34
" 1929	19,608.25	46,249.35	65,857.60
" 1930	10,791.78	41,267.61	52,059.39
" 1931	18,593.15	19,423.27	38,016.42
" 1932	10,214.17	24,710.43	34,924.60
	$125,386.37	$265,054.98	$390,441.35

The following is a list of the Refining Company's officers by year from the date of its organization down to and including 1934:

March 22, 1923, to June 1, 1923

President	R. G. Hunt
Vice-President	A. S. Cummins
Secretary	R. J. Graf
Asst. Secy.	B. W. Lynch
Treasurer	R. J. Graf
Asst. Treas.	J. H. Briggs

June 2, 1923, to March 26, 1925

President	R. G. Hunt
Vice-President	A. S. Cummins
Secretary	R. J. Graf
Asst. Secy.	B. W. Lynch
Asst. Secy.	A. L. Dade
Asst. Secy.	J. C. Kennedy
Treasurer	R. J. Graf
Asst. Treas.	J. H. Briggs
Asst. Treas.	W. R. Francisco
Asst. Treas.	O. O. Kerr

March 27, 1925, to April 6, 1926

President	John L. Gray
Vice-President	L. B. Riddle
Secretary	W. R. Francisco
Asst. Secy.	B. W. Lynch
Asst. Secy.	A. L. Dade
Asst. Secy.	J. C. Kennedy

Treasurer	W. R. Francisco
Asst. Treas.	J. H. Briggs
Asst. Treas.	O. O. Kerr

April 7, 1926, to June 27, 1926

President	John L. Gray
Vice-President	L. B. Riddle
Vice-President	E. J. McKay
Secretary	W. R. Francisco
Asst. Secy.	Herbert List
Asst. Secy.	A. L. Dade
Asst. Secy.	J. C. Kennedy
Treasurer	W. R. Francisco
Asst. Treas.	J. H. Briggs
Asst. Treas.	O. O. Kerr

June 28, 1926, to Sept. 12, 1926

President	John L. Gray
Vice-President	L. B. Riddle
Vice-President	E. J. McKay
Secretary	W. R. Francisco
Asst. Secy.	Herbert List
Asst. Secy.	A. L. Dade
Treasurer	W. R. Francisco
Asst. Treas.	J. H. Briggs
Asst. Treas.	O. O. Kerr

Sept. 13, 1926, to Feb. 18, 1931

President	John L. Gray
Vice-President	L. B. Riddle
Vice-President	E. J. McKay
Secretary	W. R. Francisco
Asst. Secy.	Herbert List
Asst. Secy.	A. L. Dade
Asst. Secy.	O. O. Kerr
Treasurer	W. R. Francisco
Asst. Treas.	J. H. Briggs
Asst. Treas.	O. O. Kerr

Feb. 19, 1931, to April 14, 1933

President	John L. Gray
Vice-President	L. B. Riddle
Vice-President	E. J. McKay
Secretary	W. R. Francisco

Asst. Secy.	Herbert List
Asst. Secy.	A. L. Dade
Asst. Secy.	O. O. Kerr
Asst. Secy.	J. J. Madden
Asst. Secy.	P. A. Lehmkuhl
Treasurer	W. R. Francisco
Asst. Treas.	J. H. Briggs
Asst. Treas.	O. O. Kerr
Asst. Treas.	J. J. Madden
Asst. Treas.	P. A. Lehmkuhl

Elected on April 15, 1933, and still holding office on Dec. 18, 1934

President	B. L. Majewski
Vice-President	R. K. Huey
Vice-President	E. J. McKay
Secretary	W. R. Francisco
Asst. Secy.	Herbert List
Asst. Secy.	J. J. Madden
Asst. Secy.	P. A. Lehmkuhl
Asst. Secy.	A. L. Dade
Asst. Secy.	O. O. Kerr
Treasurer	W. R. Francisco
Asst. Treas.	J. H. Briggs
Asst. Treas.	J. J. Madden
Asst. Treas.	P. A. Lehmkuhl
Asst. Treas.	O. O. Kerr

On March 22, 1923, the Refining Company's Directors elected R. G. Hunt and R. J. Graf as members of the Executive Committee, Mr. Hunt to be Chairman. I find no further reference to the Executive Committee in the minutes of the Corporation.

The Deep Rock's Directors on December 15, 1926, declared a dividend of $7.00 per share on Class A Common Stock, totaling $280,000.00, payable January 25, 1927, out of surplus or net profits of the company, and a like dividend of $7.00 per share on the common stock, totaling $899,248.00, payable January 25, 1927, out of surplus or net profits of the Company. The Deep Rock's records do not disclose the extent of Standard's participation in these dividends, but the entire amount of the dividends on both classes of said stock was

credited to Standard's account on the Deep Rock's books. The credit of $280,000.00 for dividends on the Class A Common Stock is supported by Standard's debit memo No. 18684 of January 24, 1927, which reads as follows: "Amount we have today charged your account, same to cover a dividend of $7.00 per share on 40,000 shares Class A Common Stock of your Company to holders of record December 31, 1926." The credit of $899,248.00 for dividend on Common Stock is supported by Standard's debit memo No. 18623 of January 24, 1927, which reads as follows: "Amount we have today charged your account, representing amount we have deposited with the Continental and Commercial Trust and Savings Bank to cover initial dividend of $7.00 per share on 128,464 shares of Common Stock of your Company to holders of record at the close of business December 31, 1926." Appropriations for retirement and depletion reserve prior to payment of dividends on Class A Common Stock and Common Stock on January 25, 1927, were as follows:

Year 1919	$1,782,831.72
" 1920	1,930,818.30
" 1921	750,000.00
" 1922	600,000.00
" 1923	.....
" 1924	897,788.58
" 1925	1,334,457.17
" 1926	2,134,567.99
Total	$9,430,463.76

In addition to the appropriations from earnings as indicated above, there was also on the Company's books an item of $5,040,000.00—"Special Reserve for Reduction of Property", making a total provision for retirement of $14,470,463.76.

Question: The following appears from the minutes of the meeting of Directors of Deep Rock held December 31, 1928: that a dividend of $1.50 per share on the Common Stock of the Company was declared for the twelve months' period ending December 31, 1928, payable January 15, 1929, out of the surplus profits of the company; that the following statement of earnings of the company and subsidiaries as of December 31, 1929, was presented to the meeting by the Secretary:

December 31, 1927:		
Surplus		$2,084,051.01
Accrued for Pref. Div. Payable 1-25-28		245,000.00
		$2,329,051.01
Net Income 1-1-28 to 12-31-28	$1,398,500.00	
Surplus Adjustment—Credit	15,159.82	1,413,659.82
Total Surplus and Net Income		$3,742,710.83
Preferred Dividends Paid 1-1-28 to 12-31-28		686,000.00
Balance		$3,056,710.83
Made up as follows:		
Surplus—December 31, 1928	$2,099,210.83	
Accrued for Pref. Div. Payable 1-25-29	87,500.00	
Accrued for Com. Div. Payable 1-15-29	870,000.00	
	$3,056,710.83	

Please state (a) the amount of appropriation for depletion and retirement reserve by years that was taken into account in the foregoing statement; (b) whether the figures shown in the above statement were taken from the books of account of the company; and (c) if not, state from what source they were taken.

Answer. (a) Appropriations for retirement and depletion reserve prior to payment of dividend on Common Stock on January 15, 1929, were as follows:

Year 1919	$ 1,782,831.72
" 1920	1,930,818.30
" 1921	750,000.00
" 1922	600,000.00
" 1923	.....
" 1924	897,788.58
" 1925	1,334,457.17
" 1926	2,134,567.99
" 1927	824,428.80
" 1928	1,688,526.50
Total	$11,943,419.06

In addition to the appropriation from earnings as indicated above, there was also on the Company's books an item of $5,040,000.00—"Special Reserve for Reduction of Property", making a total provision for retirement of $16,983,419.06.

(b) The figures shown as surplus, earnings, etc., agree with such amounts as shown by the books of account of the Company.

Question. The following appears from the minutes of the meeting of the Directors of Deep Rock held February 24, 1930: that a dividend of $1.75 per share on the common stock of the Company was declared for the year ended December 31, 1929, payable February 28, 1930, out of the surplus profits of the Company, and that the following statement of earnings of the Company and subsidiaries as of December 31, 1929, was presented to the meeting by the Secretary:

December 31, 1928:		
Surplus		$2,099,210.83
Accrued for Pref. Div. Payable 1/25/29		87,500.00
Accrued for Com. Div. Payable 1/15/29		870,000.00
		$3,056,710.83
Net Income 1/1/29 to 12/31/29	$1,365,437.50	
Surplus Adjustment—Debit	33,174.60	1,332,262.90
Total Surplus and Net Income		$4,388,973.73
Preferred Dividend Paid 1/1/29 to 12/31/29	$ 350,000.00	
Common Dividends Paid 1/1/29 to 12/31/29	870,000.00	1,220,000.00
Balance		$3,168,973.73
Quarterly dividend on Preferred Stock for quarter ended Dec. 31, 1929, declared Dec. 4, 1929, payable Jan. 25, 1930		87,500.00
Balance		$3,081,473.73
Requirement for Common Dividends at rate of $1.75 a share per annum		1,015,437.50
Balance		$2,066,036.23

Please state (a) the amount of appropriation for depletion and retirement reserve by years that was taken into account in the foregoing statement; (b) whether the figures shown in the above statement were taken from the books of account of the company; and (c) if not, state from what source they were taken.

Answer. (a) Appropriations for retirement and depletion reserve prior to payment of dividend on Common Stock on February 28, 1930, were as follows:

Year 1919	$ 1,782,831.72
" 1920	1,930,818.30
" 1921	750,000.00
" 1922	600,000.00
" 1923	.....
" 1924	897,788.58
" 1925	1,334,457.17
" 1926	2,134,567.99
" 1927	824,428.80
" 1928	1,688,526.50
" 1929	1,820,937.52
Total	$13,764,356.58

In addition to the appropriation from earnings as indicated above, there was also on the Company's books an item of $5,040,000.00—"Special Reserve for Reduction of Property", making a total provision for retirement of $18,804,356.58.

(b) The figures shown as surplus, earnings, etc. agree with such amounts as shown by the books of account of the Company.

Question: It appears from Exhibit 7-A of Kerr's Interrogatories that Deep Rock sustained losses of $16,016,261.27 by reason of

(a) Losses on leases sold	$ 990,109.26
(b) Leases surrendered	4,791,671.69
(c) Dry holes drilled	3,550,203.43
(d) Producing wells abandoned	3,635,099.43
(e) Equipment retired from service	1,577,478.63
(f) Sundry	1,471,698.83
Total	$16,016,261.27

Please state what provision the company made in its profit and loss account for these losses.

Answer: The sum of $16,016,261.27 shown on Exhibit 7-A is the amount of charges made to the retirement and depletion reserve as the result of the sale, abandonment, or other disposition of property assets, and (with the exception of minor sums involving sale, etc., of property of subsidiary companies) is the difference between the cost and the sale or salvage value of such assets, without giving consideration to the accrued depreciation and/or depletion previously provided for by appropriations to the retirement and depletion reserve.

Provision for such charges was made as follows:

Appropriated from earnings, as shown by consolidated income statement	$14,447,920.64
Special reserve for reduction of property	5,040,000.00
Reserve of subsidiary companies at date of acquisition of such companies	195,435.68
Total provision for retirement and depletion	$19,683,356.32

Question. If the Company had provided the same amount for retirement and depletion reserve as claimed in its income tax returns, what effect would such provision have had on the surplus of $1,316,521.81, shown in the consolidated income statement? (Claimant's Exhibit 14).

Answer. The following is a comparison of amounts provided for retirement and depletion reserve on the books of the Company to December 31, 1932, with the amounts deducted in the Federal income tax returns for depreciation and depletion (including amounts included in deduction as additional rental of Deep Rock Oil and Refining Company properties):

Appropriated from earnings, as shown by consolidated income statement	$14,447,920.64
Special reserve for reduction of property	5,040,000.00
Total provision, not including reserves of subsidiary companies at date of acquisition of such companies	$19,487,920.64

Amount claimed in Federal income tax returns as deduction for depreciation and depletion, including depreciation and depletion of Deep Rock Oil and Refining Company properties claimed as additional rental of such properties	22,409,241.04
Excess of amounts deducted in Federal income tax returns over amounts provided on books of the Company	2,921,320.40
Surplus per books February 28, 1933	1,316,521.81
Difference or excess of deductions for retirements and depletion over available surplus	$ 1,604,798.59

The Federal income tax returns for all periods excepting the periods from April 12, 1921, to December 31, 1923, have not been accepted by the Commissioner of Internal Revenue, and amounts deducted in tax returns for depreciation and depletion are subject to change upon final determination of tax liability.

The allowance for depletion, based on statutory provisions, will be greater than the depletion sustained.

Question. Please state what the surplus account would have been at the end of (a) 1926 if the deductions claimed for income tax purposes had been charged to profit and loss account on the books up to December 31, 1926; (b) same as to 1927; (c) 1928; and (d) 1929.

Answer. The surplus account at December 31 of each of the years 1926, 1927, 1928, and 1929, after adjustments to provide for the deductions made for Federal Income tax purposes, as set out in the following statements and adjusted to eliminate from such deductions the provision for retirement and depletion provided by the Special Reserve for Reduction of Property in the sum of $5,040,000.00 and the elimination of the excess of the statutory depletion allowance over the amount of depletion sustained for the years 1928 and 1929, would have been in the red for all years but 1926. This is shown by the statement I have prepared which appears in this record as "Exhibit X of Kerr's Interrogatories."

The Deep Rock provided reserve for retirement and deple-

tion of properties owned and operated February 28, 1933, as follows:

Appropriated from earnings, as shown by consolidated income statement	$14,447,920.64
Special reserve for reduction of property	5,040,000.00
Reserves of subsidiary companies at date of acquisition of such companies	195,435.68
Total provision for retirement and depletion	$19,683,356.32
Less charges to reserves, as shown by "Exhibit 7-A of Kerr's Interrogatories"	16,016,261.27
Balance of reserve for properties owned and operated at February 28, 1933	$ 3,667,095.05

I don't know and have not been informed of the amount now being claimed by Haskins & Sells against the Federal Government on behalf of Deep Rock on account of losses, depletion, or depreciation.

The special reserve for reduction of property amounting to $5,040,000.00 was created by the surrender to Deep Rock of $5,000,000.00 par value of its Preferred stock and 80,000 shares of its Common stock in exchange for 40,000 shares of Class A Common Stock with par value of $1.00 per share, and that reserve was placed on the books in May, 1921.

Provision for depreciation, depletion and retirement losses sustained on the assets of the Refining Company and the Bradstreet properties was included in the general appropriation for retirement and depletion on the Deep Rock's books, but no separate provision was made for depreciation, depletion, or retirement losses sustained on the assets of the Refining Company.

Provision for depreciation, depletion and retirement losses sustained on the cracking plant, an asset of the Refining Company was included in the general appropriation for retirement and depletion on the books of Deep Rock, but no separate provision was made for depreciation, depletion, or retirement losses sustained on the assets of the Refining Company.

Prior to January 1, 1928, no segregation was made of the amount claimed in the Federal income tax returns as depreciation and depletion, but subsequent to January 1, 1928, the

following amounts were claimed in the Federal income tax returns as depreciation and depletion applicable to properties owned by the Refining Company:

Year 1928	$199,583.34
" 1929	65,857.60
" 1930	52,059.39
" 1931	38,016.42
" 1932	34,924.60
Total	$390,441.35

No segregation was made of the amount claimed for depreciation of other than producing properties.

Question. State the amount by years that should have been reserved for depletion and depreciation of the so-called Bradstreet properties based on sound accounting practice.

Answer. The amount of depreciation and depletion sustained on the producing properties owned by Deep Rock Oil and Refining Company, computed in accordance with provisions of the Federal income tax law and regulations, was as follows:

	Depreciation	Depletion	Total
Feb. 15 to Dec. 31, 1923	$ 149,530.67	$ 116,514.77	$ 266,045.44
Year 1924	156,070.59	111,076.31	267,146.90
" 1925	173,200.42	164,823.78	338,024.20
" 1926	326,394.71	418,816.40	745,211.11
" 1927	129,793.32	257,826.84	387,620.16
" 1928	66,179.02	133,404.32	199,583.34
" 1929	19,608.25	46,249.35	65,857.60
" 1930	10,791.78	41,267.61	52,059.39
" 1931	18,593.15	19,423.27	38,016.42
" 1932	10,214.17	24,710.43	34,924.60
Total	$1,060,376.08	$1,334,113.08	$2,394,489.16

Question. State the amount by years that should have been reserved for depreciation of the so-called cracking plant based on sound accounting practice.

Answer. Based on rates applicable to this type of assets, as taken from "Depreciation Studies Preliminary Report of the Bureau of Internal Revenue", depreciation on the cracking plant would be computed in the following amounts:

Year	1923 (11 months)	$ 51,577.82
"	1924	56,266.71
"	1925	65,281.21
"	1926	79,572.49
"	1927	86,769.78
"	1928	91,457 15
"	1929	94,769.16
"	1930	95,314.31
"	1931	86,238.17
"	1932	106,613.55
Total		$813,860.65

Hearing of February 13, 1935, Before Special Master.

Ramsey, Martin & Logan, Esqs., appeared for the trustee; Gibson, Maxey and Holleman, and R. M. Campbell, Esqs., appeared for the claimant Standard Gas & Electric Company.

W. E. Moody, recalled as a witness on behalf of the Trustee, on direct examination by Mr. Ramsey, testified:

I have heretofore testified in this case. I have been engaged in the oil refining business since November, 1906, at Paola, Kansas, Independence, Kansas, and Cushing, Oklahoma. I was connected with Mr. Shaffer while he operated what is known as Consumers Refining Company, which was the refinery which was situated at Cushing, and was subsequently conveyed by Mr. Shaffer to the Shaffer, now known as Deep Rock. I was assistant superintendent when I first went to the refinery in 1917. In 1919, '20 and '21, I had the same experience and knowledge how to operate a refinery that is usually possessed by superintendents who have been in actual control of the operations of an oil refinery. I was the man on the ground that actually operated the refinery. I was in charge of the refinery under the receivers, Mr. Greis and Mr. Moore, and am still in charge of the refinery under the trustee. The map identified as Trustee's Exhibit O was made by Robert Davis, who is our plant engineer at Cushing. It was made at my directions. The parcels blocked out in red are the properties that were transferred to R. J. Graf, Trustee, by the Deep Rock, on which their cracking plant and auxiliary equipment is located. The part that is surrounded by red line shows the strips of land that were conveyed by the Deep Rock to R. J. Graf, trustee, for the purpose of constructing

and installing thereon a cracking plant and auxiliary equipment. The red lines running across heavy blue lines and on the margin endorsed 0.114 acres enclose a little strip of land. On that strip was constructed the re-run stills in which the pressure distillate was re-run. There was only a very narrow alleyway running between the re-run stills and stills that were owned and operated by the Deep Rock refinery. There are three of these re-run stills. They adjoin stills that belong to the Deep Rock Refinery. Then there is an alley running between the Deep Rock Oil Corporation's stills and the re-run stills. Any ordinary observer looking at that row of stills, in either direction, would not notice any separation between those stills, so as to indicate that the re-run stills belong to one person and the steam stills belong to another. North of those stills (batteries and things shown by the map), is quite a large red line running around in sort of a V shape. That was also conveyed to R. J. Graf, trustee. Located on that strip of land is the cracking plant, which had five stills operating at one time. They were Dubbs stills, four originally and one added later, which made the fifth. The two large circles that run around parallel, with the blue line surrounding, are spray ponds, where the water is cooled. The large still, No. 5, Unit still, is marked with an X. On the strip of land with the red line running around it and marked as 0.275A, is located the pump house, marked P. The receiving tanks are represented by these circles. There are four of those receiving tanks located on property conveyed to R. J. Graf. There are four others to the south which belong to Deep Rock. There are also fourteen to the north. They also belong to the Deep Rock. As to any casual observer, or anyone who should go out on that land, viewing those receiving tanks, there is nothing there to indicate that those receiving tanks belong to different persons or different corporations.

East on the map there is a little strip with red lines around it marked with the acreage of .149 acres. On that strip is located drilling equipment and a pump house. On the square block to the southwest, marked 1.00 acre, is located a 10,000-barrel storage tank. That is also on land that was deeded to R. J. Graf, trustee. Farther south there is another acre with red lines around it. Located on that is a 10,000-barrel storage tank.

Everything on that map that is not surrounded by red lines belongs to Deep Rock. It is operated there as the property of

the Deep Rock. All that property there, including the stills, tanks, and everything on the land surrounded by red lines, and the property there on the land not surrounded by red lines, is operated as a unit, and has been since the deed was made to R. J. Graf. In fact, it has been operated as a unit since the cracking stills first were completed.

W. E. Moody, on cross-examination by Mr. Gibson, testified:

I don't know who R. J. Graf was trustee for. I did not intend to convey the idea that I knew who he was trustee for. The entire plant shown on the map is being operated, with the exceptions of those five old pressure stills, one of which has been dismantled, and the other four are not operating and the re-run stills are not operating. I dismantled No. five pressure still. One, two, three, and four are just standing there, and are of little value. Despite my experience during nearly thirty years, I cannot say what is the ordinary and proper amount of depreciation annually upon a refining plant. There are so many things that affect that. For instance, there has been such a rapid development in the art of refining that some of the equipment is practically obsolete before you get it completed. However, tankage that was built in 1913 is still in use. We always had in mind twenty per cent annual depreciation on the four first pressure stills that were erected and that class of equipment. The same would apply to the large 5A still that is in use there now. Of course, the tanks only depreciate by rusting out and internal corrosion, which is a slow process ordinarily. The re-run stills that I spoke of, the ordinary annual depreciation would be five to ten per cent per year. I don't think they have been used since '32. As a substitute for these stills in the operation of this plant, we installed Gray vapor phase treaters, which finished the gasoline at the pressure stills, using Fuller's earth, which is a filtration process which takes out the gum and coloring matter, and eliminated the acid treating and re-running of the gasoline to purify it. I have been constantly in charge of this plant since the appointment of the receiver, about the 1st of March, 1933, and with the exception of those parts which I have stated as having been abandoned or not used, this entire plant has been operated by the receiver and his successor, the trustee in bankruptcy, ever since that time, and gasoline manufactured and other products of oil produced and marketed by the receivers and the trustee. We could operate this plant as a skimming plant only, not utilizing the

high-pressure or cracking still and its ordinary accompanying equipment, but your loss would be higher. The modern refining contemplates the use of a cracking still in every instance as a supplement to the skimming plant. Cracked gasoline is necessary to improve the quality of the straight run gasoline for use in modern automobiles to get away from the knocking. And also, of course, you produce by the cracking process out of what was formerly sold as fuel oil a very large amount of valuable gasoline.

W. E. Moody, on redirect examination by Mr. Ramsey, testified:

It became obvious in 1922 that the Deep Rock's refinery at Cushing required a cracking plant in order to make the operations successful from an earning standpoint. And that was the reason that these original Dubbs stills were constructed. Now, referring to the map, Trustee's Exhibit O, to the little red parallel marked O.114 acres and the re-run stills thereon situated, those stills were filled with re-run oil or gasoline from pipe lines. There was a pipe line from the treating plant. That is marked O.149A on the east part of the map. It was transferred from this treating plant down to these two tanks and then piped through a pipe line from there down to this pump house. In other words a pipe line from the one acre southwest over to the re-run stills which ran through this pump house.

As I remember, there was a six-inch pipe line running from these tanks to the pump house. This pipe ran from the property that stood in the name of R. J. Graf, trustee, to other property in the name of R. J. Graf, trustee, but ran over land belonging to Deep Rock. To my knowledge, there was no right-of-way for those pipe lines conveyed to R. J. Graf, trustee. Now, these first stills that were constructed, the Dubbs stills were commenced in 1922, and they were completed along in February, 1923. There were four of those original Dubbs stills constructed and they were used until No. 5A was put into operation, which was on July 11, 1931. The appropriation for still No. 5 was made on July 22, 1925, and it was placed in operation December, 1925. It did not take the place of the first four Dubbs stills; it was an addition. When those first four Dubbs stills were abandoned, they had largely what we call junk value.

Q. Now, can you give about the date you ceased to use

the first four Dubbs stills? A. No. 5A was put in operation on the 7-11-31 and I believe we operated the first four Dubbs stills possibly four to six months thereafter.

W. E. Moody, on recross examination by Mr. Gibson, testified:

The first four pressure stills were built and put in operation in February, 1923. And still No. 5 was put into operation in 1925. No. 5 was shut down in December, 1930, and we used its parts in building 5A in 1931. But the old four stills continued on until after we had completed the construction and put 5A in operation. Our skimming capacity there now is 10,000 barrels, and our cracking plant is 4,000 barrels. Those original four units of cracking stills could not be used to any degree of success or economy now. They could not be repaired so as to make them modern sufficiently to be worth while. It would mean rebuilding entirely, practically. Their junk value is a value not to exceed $20,000 for the four.

(All Interrogatories of O. O. Kerr and W. R. Francisco are admitted into evidence.)

(A list of Refining Company dividend payments as furnished by Mr. O. O. Kerr is admitted in evidence as Trustee's Exhibit S. A tabulation showing the dates of the meetings of the Deep Rock Oil Corporation's board of directors at which dividends were declared, and showing the names of the Deep Rock's directors who were present at such meetings, and the names of those who were marked absent at such meetings is introduced into evidence as Trustee's Exhibit T. A printed financial report of the Shaffer Oil and Refining Company dated December 31, 1920, containing a condensed general balance sheet of March 1, 1921, is introduced into evidence as Trustee's Exhibit U. The Shaffer Oil and Refining Company financial report of December 31, 1921, is introduced into evidence as Trustee's Exhibit V. Shaffer Oil and Refining Company financial report of December 31, 1922, is introduced into evidence as Trustee's Exhibit W. A photostatic copy of a letter dated March 19, 1926, on the letterhead of Byllesby Engineering & Management Corporation, 231 South LaSalle Street, Chicago, addressed to W. R. Francisco, Treasurer, Shaffer Oil and Refining Company, and signed by B. F. Braheney, General Auditor, is introduced into evidence as Trustee's Exhibit XX. Attached thereto is a photostatic copy of an instrument entitled Agreement between Deep Rock Oil and

Refining Company and Shaffer Oil and Refining Company, October 1, 1925, being the first lease referred to in the record and shown by Exhibit A to the trustee's objection to the Standard's claim, introduced into evidence as Trustee's Exhibit XX1. A photostatic copy of an instrument entitled Agreement between Deep Rock Oil & Refining Company and Deep Rock Oil Corporation, October 1, 1930, executed on December 20, 1930, being the second lease heretofore mentioned in the record, is introduced into evidence as Trustee's Exhibit Y. Certificate of incorporation of the Shaffer Oil and Refining Company with the various amendments thereto, consisting of five documents, are introduced into evidence as Trustee's Exhibits Z, Z1, Z2, Z3, and Z4. A printed copy of the trust agreement between Shaffer Oil and Refining Company and Union Trust Company, trustee, dated March 1, 1928, authorizing the issue of $10,000,000 6% convertible gold notes of Shaffer Oil and Refining Company dated March 1, 1928, due March 1, 1933, is introduced into evidence as Trustee's Exhibit 1A. A certified copy of the certificate of incorporation of the Byllesby Engineering & Management Corporation is introduced into evidence as Trustee's Exhibit 1B. A document showing certain corporations and the Deep Rock's stock ownership therein is introduced into evidence as Trustee's Exhibit 1C.)

L. B. Riddle was called as a witness on behalf of the Trustee, and on direct examination by Mr. Martin, testified:

My name is L. B. Riddle. I am the same L. B. Riddle who is one of the plaintiffs in the original equity suit commenced against Deep Rock Oil Corporation. I am forty-five years old. My father was engaged in the oil producing business. I have lived in what might be termed an oil atmosphere practically all my life. I went to the Case School of Applied Science, Cleveland, Ohio, for three years, taking a mining and engineering course. I went to Wyoming immediately after graduating from Case to make investigations in the Salt Creek oil field. I didn't make a written report, but I went to Washington to appear before the then secretary of interior and make a verbal report to him and to Otis Smith, who was head of the geological survey at the time. I then came to Nowata, Oklahoma, in January 1913, and was engaged there as an independent contractor until January of 1916, with, however, an interval of one year as an engineer. During my employment at the

refinery in Independence, Kansas, I made the acquaintance of a man by the name of G. N. Moore. He was the manager of that refinery and was subsequently connected with the Shaffer. I went with the Pure Oil Company in either January '16 or '17. I was employed by the Pure Oil Company to examine producing properties that were submitted to them for purchase; I looked over producing properties or possible developments of new fields, in all of the oil producing states, excepting California. I was with them until May, 1922, when I went with the Shaffer. G. N. Moore employed me on behalf of the Shaffer to come to Tulsa and take charge of their producing activities. I was in charge of their producing activities from that time until the appointment of the receivers of the company, March, 1933. Mr. Moore had been connected with the Standard Oil Company in southeastern Ohio ever since he was old enough to work. All his life he had been in the oil business. I didn't investigate the company at all before I went with them, excepting to take Mr. Moore's word for the financial condition of the Standard, really.

I was induced by Mr. Moore to accept employment with the Shaffer Company largely through the financial stability of the Standard. After I made an investigation of the properties of the company, I found, in my opinion, the Shaffer as it existed at that time in 1922, was a bankrupt company. Their assets were exceeded by their liabilities. At that time, the production of the company was between 2,000 and 2,500 barrels per day. Practically all of the production was acquired from C. B. Shaffer and associates. I went over the records and found that the production of the company at the time it acquired the property from C. B. Shaffer in 1919 was around 4,000 barrels. Then, from 1919 until 1922, the production of the company had decreased from approximately 4,000 barrels to between 2,000 and 2,500 barrels. The capacity of the refinery in 1922 when I went with the company was about 2,000 barrels a day. The company was running all of its own oil and, in addition, they had to buy to meet the refinery requirements. The refinery requirements were about 2500 or 3000 barrels in addition to the company's production. At that time a premium was being paid by independent companies for crude oil, due to the fact that there was a scarcity of crude and the major purchasers, such as the Prairie Oil & Gas Company, were absolutely sure of paying for their crude and some of the independent refiners were not sure they could pay for their crude,

and the producers therefore demanded a premium. It was considered desirable by the company to acquire additional production of its own as that production was necessary in the operation of its refinery. After I had investigated the situation, we determined we needed more crude, both for the refinery purposes and to increase our earnings commensurate with the financial set-up of the company, and I recommended to Chicago that we buy acreage for the purpose of development of the property. By acreage I mean prospective oil and gas leases. Mr. Moore was only with the company a short time after I came with them, and then Mr. H. C. Cummins became president of the company, or at least general manager out of Chicago. It was to him I took all my recommendations. I recommended to Mr. Cummins that we be given an appropriation for the purchase of acreage. I don't know where the money came from. I was working for the Shaffer and it was Mr. Cummins' business to get the money. I wasn't interested in where it came from. I asked for $50,000 a month for the purchase of acreage, and it was provided, perhaps not regularly at that time, but I presume we drew that much each month. In my talk with Mr. Cummins we also discussed the purchase of producing properties, besides the acquisition of acreage, and he recommended very strongly that we go out and buy producing properties. We looked at several different tracts, among others, at the so-called Bradstreet properties. I investigated the Bradstreet properties along with J. Elmer Thomas. He was an independent geologist who lived in Chicago and was employed by the Shaffer as, I would say, the assistant to Mr. Cummins. Mr. Cummins was not familiar with the oil business and he employed Mr. Thomas to assist him in overseeing the companies. We recommended the purchase of the Bradstreet properties to Mr. Cummins. We didn't negotiate with Mr. Bradstreet over a month before the signing of the contract to purchase. The contract for the purchase was executed in St. Louis. Mr. Cummins and J. C. Kennedy were present. J. C. Kennedy was an employee of the Shaffer in the Chicago office. Mr. Cummins, Mr. Kennedy, Mr. Paul Rice, who was an attorney from the office of Cummins, Hagenah & Flynn, L. G. Bradstreet, R. M. Gayler, who was an associate of Bradstreet's and an officer in his company, and I were present.

Q. It appears from an exhibit that has been offered in evidence that the contract to which you referred was made

between Bradstreet Company, on the one part, and J. C. Kennedy, trustee, on the other part. Will you please state when the suggestion was first made that the title to the property be taken in the name of J. C. Kennedy as trustee? A. At the time I met Mr. Cummins in St. Louis on the day, or approximately the day before the contract was consummated.

Q. Who is it that said the title to the property should be taken in Kennedy as trustee? A. Mr. Cummins.

Q. Did Mr. Cummins state for whom J. C. Kennedy should be trustee? A. I don't recall that he did.

Q. Do you know for whom he was to be trustee? A. I don't know.

Q. You didn't inquire? A. No.

Q. During any prior negotiations had it ever been suggested by anyone that these properties were to be acquired by J. C. Kennedy, trustee? A. No, it had not.

Q. Did you, in your inspection and examination of the properties, understand you were doing that in behalf of the Shaffer Oil and Refining Company? A. Yes.

Q. Now, Mr. Riddle, following the acquisition of these properties, were they operated by the Shaffer? A. They were.

Q. Were they operated in any different manner than the manner of operations of other properties that belonged to the Shaffer Oil and Refining Company? A. No, there was no distinction, except as to accounting.

Q. Except in the accounting end? Now, do you recall the organization of the Refining Company following the purchase of the Bradstreet properties? A. I don't remember when it was organized.

Q. You do remember such a company was organized? A. Yes.

Q. Was it organized before you heard of it? A. Yes, sir.

Q. Well, after the organization of the company, were any properties purchased through you on behalf of the Shaffer Oil and Refining Company? A. Yes.

Q. Were any properties purchased for the Deep Rock Oil and Refining Company? A. Prospective acreage.

Q. For the Deep Rock Oil and Refining Company? A. Yes.

Q. Did you pass on the purchase of both properties? A. Yes.

Q. How did you determine, Mr. Riddle, which properties were being purchased for the Deep Rock Oil and Refining Company and which properties were being purchased for the Shaffer Oil and Refining Company? A. That was an entirely arbitrary determination that I made.

Q. That you made? A. Yes, insofar as the first few pieces that were purchased. Ordinarily, if a piece of acreage was submitted up close to the Bradstreet property, I would buy it for the Deep Rock Oil and Refining Company, and if it were remote, I usually purchased it for the Shaffer Oil and Refining Company.

Q. Well, did you consult anybody in connection with it? A. No, I just—

Q. Acted on your own judgment? A. Yes.

Q. Were you given any instructions or directions as to which company the property should be purchased for? A. No.

Q. In whose name was the title to the properties taken where the purchase was made for the Deep Rock Oil and Refining Company? A. I would have to get that from the records. I believe J. C. Kennedy, trustee, for a time, and then for the Deep Rock.

Q. Do you know how they were paid for, Mr. Riddle? A. No, Mr. Francisco could tell you that.

Q. That came under his department of the company? Now, following your employment by the company, and the acquisition of properties from time to time, what effect did the acquisition of these additional properties have on the production of the company? A. We substantially increased our production. From 1922 to 1926 we built up to, in excess of 6,000 barrels and maintained about that production up until receivership, when, of course, it had much greater potential than that, but it was pro-rated.

Q. Did the Refining Company operate any leases or other properties, or were those properties all operated by the Shaffer Oil and Refining Company? A. All of the properties of Deep Rock Oil and Refining Company were operated by the Shaffer.

I am acquainted with Mr. J. J. O'Brien, the head of the Standard Gas and Electric Company. I have known Mr. O'Brien since my connection with the company. Mr. O'Brien was in Tulsa only once during my acquaintance with him. He

stayed less than twenty-four hours. I am acquainted with Mr. Bert Lynch. He was never in Tulsa during my association with the Shaffer Company to my knowledge. To my knowledge, Mr. Morrison was never in Tulsa. To my knowledge Mr. R. J. Graf was in Tulsa only once during my association with the company. He stayed less than twenty-four hours. Mr. O'Brien and Mr. Graf were both driven to the refinery and the properties pointed out to them. They stayed about an hour at the refinery and properties along the road were pointed out to them, but they were not on any property to really make inspection of them. Claimant's Exhibit No. 12, previously admitted into evidence and entitled Basis for appraisal, January 1, 1919, Basis for appraisal December 31, 1924, Basis for appraisal, December 31, 1929, was prepared in either late January or early February, 1930. During my entire association with the company, with the exception of Mr. Darnell making an appraisal of the properties shortly before receivership, I know of no request having been made by the directors or any officials of the company for an appraisal of the company. To my knowledge, the figures shown on exhibit 12 were never submitted to the board of directors of Deep Rock.

L. B. Riddle, on cross-examination by Mr. Gibson, testified:

Mr. Kerr and Mr. Francisco came to Tulsa about the first of 1924. The offices of Deep Rock were in Chicago at the time that I came here. They were removed to Oklahoma from Chicago, at the time Mr. Kerr and Mr. Francisco came here, about the first of 1924. I was elected a director of the Shaffer either in 1925 or '26. I can't say whether I was a director before the offices were removed from Chicago. I attended not to exceed six meetings of the directors in the City of Chicago. I would say I averaged ten trips a year from 1925 to 1932 to Chicago to confer about the affairs of the company, besides these directors' meetings. On these trips, I discussed all of the activities of the Shaffer, our current financial situation, and made report to them usually on how many wells we were drilling. John Gray and Mr. Francisco and Mr. Moody usually went with me. Mr. Gray was my superior officer. Besides being a director, I was a vice-president of the company. The persons with whom I usually had these discussions in Chicago, in which I discussed the financial needs and position of the company were John O'Brien and frequently R. J. Graf. Mr. O'Brien was president of the Shaffer at that time. The

discussions were had in the office of H. M. Byllesby & Company, at the Continental & Commercial Bank Building. The financial matters that we discussed with Mr. O'Brien, Mr. Graf and others were as follows: We had an estimate of what we thought we could do during the next twelve months, at the time we were there, and if there was any occasion to spend any particular amount of money in the producing department or refinery or pipe line, we told them about it and asked their approval. These men were the ones who were to supply the money. We appealed to them to supply the money that we thought we would need, unless we had it in our treasury. When I went there the company was insolvent and its liabilities exceeded its assets. I got that information from the assets of the company, which I determined for myself; the liabilities from the statements prepared by the company. I told George Moore that in my opinion the property was a bankrupt property. I didn't tell him what I considered the value of the property to be, but I considered it to be $9,000,000. The value began to increase very soon thereafter. That valuation increased until we got it up to the point in 1926 where the company had 6,000 barrels a day production, which we held substantially level until receivership. I don't recall having made up any figure as to the value of the property when we got it up to 6,000 barrels a day. We acquired a lot of new producing property during the time between '26 and the receivership in '33. The most valuable property was in East Texas in 1930. The acreage was acquired late in 1929, but it produced in 1930. It was substantially not proved property when we bought it. There was no piece of our property within a mile of production. However, since that time, we acquired the Texas property, the condition of the company has not materially improved, because the properties in 1930 were worth—oil properties, I presume, very much more than the same property would have been worth in 1933. That was due to market conditions. In 1926 the net daily production that I have recorded here was 6160 barrels average for the year; 5770 for 1927; 5260 for 1928; 6350 for 1929; 5850 for 1930; 6380 for 1931. That includes all of the properties of both of the Shaffer and the Refining Company.

Q. Did you have anything to do with the making of the lease on the Bradstreet properties and on the cracking plant? A. I had nothing to do with the negotiations.

Q. Were you present at the time that the terms upon which this lease was to be made were discussed? A. I don't know.

Q. Well, now, what did you have to do with it? You say you were not present at the negotiations. A. I signed it.

Q. You signed it? A. Yes, sir.

Q. That is all you know about it? A. Yes, sir.

Mr. Ramsey: That is the second lease he signed.

Mr. Gibson: Well, I don't know. The first one is made in '25.

Mr. Ramsey: He signed the second one Deep Rock Oil Corporation by L. B. Riddle, vice-president; first one was signed by Gordon, vice-president of the Shaffer, attested by Herbert List.

By Mr. Gibson: Q. Was there any discussion of the first lease, dated in 1925, previous to the execution of the lease in which you participated? A. I don't recall any such discussion.

Q. You don't remember going to Chicago and discussing it at all? A. Not prior to the execution.

Q. Had you ever heard anything about the intention to make the lease before the lease was executed by you, that is the 1925 lease. A. I don't recall having heard of it at all until it came down to be signed.

Q. You don't remember being at the board of directors immediately preceding the execution of this lease, in which this matter was discussed? A. No, I don't.

Q. Did you file any objection or make any protest against this lease? A. I would not have been in position to protest.

Q. Well, you did not? A. I did not.

The 1925 average production was 5,020 barrels net. The production of the Bradstreet properties at the time they were purchased was considerably less than a thousand barrels, about five or six hundred barrels. Approximately $650,000 was paid for the Bradstreet property.

Q. What was the amount that you were ordinarily allowed or were given as a budget for the purchase of new properties during the month following your interviews? A. We usually determined the amount for a year in advance and then it

could be changed accordingly, and I think there was a time when we had $100,000 a month in there, but for the last two or three or four years, anyhow, before receivership it was $50,000, I presume, over the entire period from 1922. $50,000 was about what they allowed us. Occasionally, however, there would be an unusual lease come up—we did make unusual expenditures besides that allowance.

Q. Where did you get that money? A. Depending on if we had it in our treasury, we would get their permission to spend it; if we didn't, they reimbursed our treasury for it.

Q. Who reimbursed the treasury? A. Standard, I presume.

Q. You mean they advanced it to the company for that use, don't you? You don't mean reimburse the treasury? A. Advanced it.

Q. You mean they advanced it to the treasury? A. Yes.

Q. Did you ever take part in any interview in which you asked the Standard to advance money? A. Yes.

Q. How many times during the ten years of your connection with the company did you request of the officers of Standard Gas and Electric Company to make advances to Deep Rock for its purposes? A. That would be impossible to say offhand. There were a number of times.

Q. Were you ever refused? A. I can't mention any definite thing for which we requested that we were refused, but there was some in the refinery development, yes. There were. I can't remember particular instances, but I know there were times we requested money when it wasn't advanced.

The men in Chicago with whom we had these conferences stated they relied on Gray, Francisco, Moody and myself for advice on the physical needs of the property. I don't know how much reliance was put on our judgment as to the policy of the company in regard to the purchase of new properties. Ordinarily they gave us authority to proceed according to our advice. When the budget for the acquisition of new property was determined, we were given free rein to purchase this property, and backed our own judgment. A part of the new property purchased was put into the new company, the Deep Rock Oil & Refining Company, and a part of it into the old Shaffer company. No one directed me how to divide the purchases, I did that "on my own."

Q. And you got the money all from one source, did you? A. Yes. Well, I didn't know where the money came from.

Q. But as far as you knew, the money came out of the treasury of the Deep Rock? A. Yes.

I never had any advice from anybody as to putting part of it in one property and part in another.

I recall having written claimant's Exhibit 66, which is a statement dated June 30, 1932, signed in typewriting L. B. Riddle. (Claimant's Exhibit 66 admitted in evidence). That exhibit was written for my own information—written personally to Mr. O'Brien, sent to him, not earlier than December, 1932, and possibly January, '33. Either in December, 1932, or January, 1933, the letter was sent to Mr. O'Brien, with a personal letter from me, with the information I made up for my own benefit in June.

Q. (By Mr. Gibson): Well, it bears the date at which you made it up, rather than the date at which it was delivered to the company, and that is the correct date when you made it up? A. Yes, sir.

As of June, those statements there which I made in that letter were my best judgment as to the various matters the letter purports to cover, except that I use the word *appraisal*, when, as a matter of fact, there was no appraisal made. It was merely a rule of thumb method which we used to arrive at an approximate value of the company. There was no appraisal made. It was a valuation which we officers of the company placed upon its properties during the various years referred to there. I would not call the "Basis for Appraisal" in claimant's Exhibit 12 a valuation at all. That is made to arrive at the increase in the physical assets of the company. All of the valuations in there are based on the same basis per barrel and the same value per gallon for distribution, and this is merely a comparison of the physical assets at different times reduced to a dollar basis. I remember when that was made up, it was made up in February, 1930. It is dated January 1, 1919, the first sheet, but I insisted in making that up and I have correspondence from which I could confirm that it was made up in 1930, February. I assisted in making this up. We put the same unit prices as to every one of the items covered, in order to get a comparison of the physical assets: but not the value. On the basis of our arbitrary assumption of

values for 1919, we showed that the physical values and the producing properties were worth $15,379,000, in 1925, worth $21,430,000, and in 1929 worth $37,685,000. I say those values don't purport to be a real estimate of the value of the property in any particular time.

L. B. Riddle, on redirect examination by Mr. Martin, testified:

On my trips to Chicago I reported to Mr. O'Brien and Mr. Graf. Mr. O'Brien was president of the Standard. Mr. Graf was vice-president.

I was never consulted about the conveyance of this property to R. J. Graf, trustee. I don't know for whom Mr. Graf was trustee. I would have to get the permission of Mr. O'Brien to spend money for the company. I was only given free reign in the purchase of undeveloped leases within our budget. When it came to the purchase of developed properties, that was a matter for special consideration, for anything except a very minor sort of property. Any property of any size at all would have been a special consideration. When we went to Chicago, Mr. Moody, Mr. Lynch and Mr. Gray, after he came, and I would confer with Mr. O'Brien and Mr. Graf in regard to our budget, and submit them a budget of what we wanted to spend. I don't know of any transaction that the Shaffer entered into without first consulting Mr. O'Brien and Mr. Graf of the Standard in Chicago, nothing beyond the limits of what we just explained here, insofar as I had the right to purchase leases within the budget. Sometimes I purchased leases and took them in the name of the Refining Company and sometimes I would take them in the name of the Shaffer. Our routine of purchases up there wasn't different in one case from the other. Mr. Francisco paid the money. I don't know where he got it. I was not consulted in regard to the organization of the Refining Company.

O. O. Kerr was recalled as a witness on behalf of the claimant, and on direct examination by Mr. Martin, testified:

In my answer to the interrogatories addressed to me, I said that "the properties acquired at date of organization of the Corporation have not been segregated as to classes of assets on the books of the corporation pending determination of values for tax purposes by the Internal Revenue Department."

The value to be placed on these properties for tax purposes has never been determined as between Deep Rock and the Government. The matter of taxes has been in controversy with the Government over a long period of years. The tax cases have not been settled for any periods excepting the period from April 12, 1921, to December 31, 1923.

The Shaffer set up the property acquired at date of organization in one lump sum. It appears from claimant's Exhibit 14, which is a consolidated income statement of Deep Rock and its subsidiary companies, that an appropriation for retirement and depletion reserve was made for the year 1919 of $1,782,831.72. Well, there may have been some calculations made on the basis of the value of the properties as set up on the company's books, I could not say definitely. I know to a certain extent it was purely an arbitrary estimate, as far as depletion was concerned, because at that time they could not have used any other basis, because the depletion reports had not been worked up at that date. There was no segregation of value to different classes of assets, and unless, for instance, the property was set up as to the valuation of each individual lease, depletion couldn't be figured out. Because the property was not set up that way, the only way any appropriation for retirement and depletion could be arrived at would be on an arbitrary basis. There has never been a separate reserve for corporate purposes on account of depletion and depreciation of properties acquired since organization. I have never been called on to make any figures of what would be a fair reserve, based on sound accounting practice, for depreciation and depletion of properties acquired since organization. For the years 1928 and 1929 Mr. Dyer made the computations for depletion, based on estimated values, and continued with those values, that was estimated at that time, and computations for the years 1930, '31 and '32 were made in our office here by Mr. Vaughan. When a lease was acquired by the company subsequent to organization, that lease was set up on the books at cost. No reserve for depletion and depreciation for that particular lease, assuming it to be a producing one, was made for corporate purposes. There was, however, a general reserve for depletion and depreciation applicable to all property, whether producing leases, refinery, pipe line, or what not. There have been computations of the depreciation and depletion on producing leases down to and including 1932 for all years. Those are contained in one report, includ-

ing the leases acquired in the original purchase, but the values used for the purpose of making those computations are estimated values and are subject to change after agreement with the department as to the proper values for tax purposes. According to the system of accounting that has been employed by the company, we don't have any separate record of the reserve for depreciation and depletion on producing leases that are set up on our books at cost. There have been separate computations made along that line for income tax purposes. I have been talking with reference to the producing properties of the company. There are other physical properties that were acquired since organization set up on the books at cost. No separate reserve has been made for depreciation of those properties, based on sound accounting practice, for corporate purposes, on the books of the company. There is nothing in any of the records of the company that would disclose what would be a fair reserve for depreciation on these properties, based on sound accounting practices. There was no special reserve for depreciation of physical properties acquired since organization as applicable to the particular property in question, as set up on the books for corporate purposes. There has just been a general reserve applicable to all properties. I assume it was by the direction of the board of directors that depreciation was set up just as a general item for all depreciation, rather than on separate properties. There are a number of men on the board of directors who would not have any expert knowledge on that subject. Ordinarily, depreciation is estimated separate on each class of property. It appears in Exhibit 9 of Kerr's interrogatories that the reserve for depreciation and depletion for the year 1928, as shown in the consolidated income statement of the company, was $1,688,526.50, whereas it appears from this Exhibit 9 that the amount claimed as against the government on account of depreciation and depletion was $2,498,643.56. The reason that there should be a difference there of approximately one million dollars in those two items is as follows. The amount claimed in the tax return of $4,498,000 and some odd dollars was based on computations of depletion as prepared from estimated values in the case of leases acquired in the original purchases, and as I understand it, the firm of Haskins & Sells made an estimate of depreciation likewise based on estimated values of the refinery and marketing stations, pipe lines, and so forth, that was acquired at the time of original purchase, all of

which was purely estimated values, as far as they are concerned. It appears in this same Exhibit No. 9 that in the year 1928 a deduction was claimed in the income tax return on account of dry holes drilled in the sum of $391,582.03, whereas in the consolidated income statement, which is claimant's Exhibit No. 14, there is no allowance made in any sum at all on account of dry holes drilled in that year. The explanation of that is as follows: The cost of dry holes drilled was charged on the books of the company against the retirement and depletion reserve, on the assumption that that reserve was to provide for retirements of all property. The reserve was created to take care of all charges for retirements to all classes of property, including dry holes drilled. Those are capitalized during the period they are being drilled and was charged off against reserve which was provided to take care of all such charges. The amount of reserve provided for the year 1928 to take care of all such charges was $1,688,526.50. And during the year 1928 there was claimed in the income tax return deductions on account of depreciation and depletion, dry holes drilled, surrendered leases, loss on producing wells plugged and abandoned, loss on capital assets sold or abandoned the sum of $3,120,625.88. The reserve made for all purposes for the year 1928 was $1,688,526.50, as shown by claimant's Exhibit 14. And the amount claimed as against the government on account of income taxes for the items that I mentioned was $3,120,625.88 for that year. In the preceding year, 1927, the amount of appropriation for retirement and depletion reserve was, as shown by the consolidated income statement, $824,448.80. And for that same year the amount claimed as against the government on account of depreciation and depletion, dry holes drilled, surrendered leases, losses on producing wells plugged and abandoned, losses on capital assets sold or abandoned was $2,578,661.45. For the period covered by this exhibit, from the date of organization of the company, 1919 to 1932, inclusive, the appropriation for retirement and depreciation reserve out of income was a total of $14,447,920.84. And the total as claimed or reported in federal income tax returns was $31,535,797.67. The $31,535,797.67 used as deductions in the federal income tax returns includes, in addition to the depreciation and depletion, these other items, consisting of dry holes, surrendered leases, loss or gain on producing wells, plugged or abandoned, loss of leases sold or abandoned, for all of which the company

made an appropriation out of income of only $14,447,920.61. Now, in addition to this appropriation that I have just mentioned, out of income there was a reserve of $5,040,000 which was explained in one of my answers to interrogatories. Then, the total appropriation, plus the reserve of the $5,040,000 would be the item of $14,447,920.64, plus $5,040,000, plus another comparatively small item on account of a subsidiary company that was taken over, $195,435.68, representing the reserves of subsidiary companies to the date of acquisition. The total of those three items was $19,623,356.32. That is the total reserve that was made by the company for all purposes for corporate purposes, for retirements and depletion. It appears from my answers to interrogatories that the company paid income taxes in only four years of its existence. Those were for the years 1919, 1920, 1921 and 1926. As a matter of fact, the situation is this: the government has simply disallowed the entire claim for depreciation and depletion. It has put the burden on the company of sustaining it. In Standard's annual report for December 31, 1928, on pages 48 and 49, appears a condensed balance sheet for the Deep Rock for the year ending December 31, 1928. Under the title "Assets" appears this: "Real estate, oil and gas leases, oil wells and equipment, pipe lines, tank cars, refineries, distributing stations, facilities and so forth, $40,036,442.05." That represents the cost of those properties. They were carried, then, annually at their cost on the company's books. And they were brought forth in the company's annual printed statement furnished to the stockholders at their cost.

(The trustee introduces in evidence as Trustee's Exhibits D, E, F, G, H, I, J, K, L and M, the Standard annual reports for the years ending December 31, 1923, December 31, 1924, December 31, 1925, December 31, 1926, December 31, 1927, December 31, 1928, December 31, 1929, December 31, 1930, December 31, 1931 and December 31, 1932.

O. O. Kerr, on cross-examination by Mr. Gibson, testified:

There is a difference between the depletion depreciation based on cost, as ordinarily claimed or set up in its books as reserve, from that which is claimed in the tax returns. Federal income tax laws and regulations have permitted, since, I believe, 1925, what we generally refer to as percentage depletion allowance, whereby they allow deductions, for tax purposes, equivalent to twenty-seven and one-half per cent of gross

earnings of the lease, providing that does not exceed fifty percent of the net earnings, but in no event shall such allowance be less than what it would have been if computed without respect to that provision; meaning that in no case would it be less than if computed on cost. That may many times be greater than computed on cost—that allowance—than what it would be when computed on cost for corporate purposes. Would never set up more than what the depletion would be on the cost of the properties. In setting up the depletion reserve on the corporate books, as contained in the records of the Deep Rock, that was computed and determined by the officials of the company. In the absence of segregation of the cost of the property on the books, it could not be computed in the customary manner. That was an estimate of what was a reasonable and fair amount to allow for depreciation and depletion. In determining the depletion or depreciation reserve for company purposes, and for the purpose of determining whether or not there is a surplus available for dividends, the method followed the claim of depreciation and depletion as arrived at by the company and not under the government method. Referring to my interrogatories, it was propounded to me, "Do the refinery company books disclose what composed the account amounting to $1,894,592.11 referred to in Mr. Francisco's testimony?" to which my answer was, as shown in the response, "Yes, the account amounting to $1,894,592.11 is composed of open accounts, as shown by the books of Shaffer Oil and Refining Company against the following, which have been assumed by Standard Gas and Electric Company as of October 1, 1925, Graf, trustee, $861,297.79, Kennedy, trustee, $1,033,294.32." That Graf account represented the advances from time to time made by Shaffer Oil and Gas Company to Mr. Graf for the purpose of construction and improvements in connection with the cracking plant located at Cushing. That is the original cost and the extensions and additions and other expenditures advanced to him. That amount was charged against Graf, trustee, on the books of the Shaffer. It later was assumed by the Standard and taken out of the books of the Shaffer, transferring the balance charged to the Standard. There was a credit of an amount on the books of the Shaffer equal to that charged against Graf extended to them by Standard. That was the same situation in regard to the Kennedy, trustee, account, which was for the producing properties. That was for the additions and de-

velopment in connection with the producing properties prior to October 1, 1925, but did not include the original cost of the Bradstreet properties.

O. O. Kerr, on redirect examination by Mr. Ramsey, testified:

In explaining my answer to my interrogatories, I stated that the $861,297.79 represented the money advanced by the Deep Rock, that is the Shaffer, to R. J. Graf for the construction of the cracking stills, auxiliaries and so forth. The Deep Rock charged that to Graff. Advanced for him. Bills were paid by Deep Rock. I don't recall whose name they were made to. Some perhaps in the name of Mr. Shaffer, some Mr. Graf. None of that $861,297.79 went through the hands of R. J. Graf.

L. B. Riddle was recalled as a witness on behalf of the trustee, and on direct examination by Mr. Martin, testified:

I was never consulted by the Management Corporation with reference to supervision charges made by them. I don't know of any basis upon which charges were made from time to time by that company for management and supervision. I only know of one instance where Byllesby Engineering did anything for the Deep Rock, that I recall. They supervised the building of a boiler installation at the refinery at Cushing. They supervised it on a cost-plus ten per cent basis, which I presume they were paid.

W. R. Francisco, was recalled as a witness on behalf of the claimant, and on direct examination by Mr. Gibson, testified:

Referring to my interrogatories, my answer as to how much money had been expended since October, 1925, in the acquisition of oil and gas leases and other properties for the account of Kennedy, trustee, for the account of the Refining Company was $1,245,000. That was for producing property only. Referring to my interrogatories again, relative to the contract relating to the extension of the $10,000,000 of notes maturing in 1933, my answer to that is, the first one I refer to a letter, Exhibit 2 of Francisco's Interrogatories, and the second I say that I knew that H. M. Byllesby & Company had been employed, which information I received from a letter from Mr. Madden, which I attach. I had, previous to that

letter, been in Chicago in conference with the officers of Deep Rock and of Standard Gas and Electric Company in the year 1931 and in 1932. In those visits during the fall of 1931 and in January and February, 1932, the proposal or suggestion as to the necessity for obtaining an extension of these notes was discussed. I had often been in the habit of going to Chicago for conferences with the other officers of the company there on an average of about once a month. Usually Mr. Gray, Mr. Riddle, myself and Mr. Moody left from here and generally Mr. Majewski in Chicago joined us. We used to make a budget, and we continued to make it up until the time we went into the hands of the receiver; all receipts, disbursements and capital expenditures for a year hence, and that budget was changed each month. The refining end of it was supplied by Mr. Moody and the producing by Mr. Riddle, pipe line by Mr. Dade and the marketing by Mr. Majewski. Those figures were all gotten into my office, where we had a forecast department, and they forecasted the method of operation over the next twelve months, by months, and what the yields from the refinery and so forth, also forecast how much new capital they would require for additions and betterments, advertising and so on; then we supplied in there general items, such as interest due or perhaps sinking funds, when we had those bonds that required sinking funds, and that was recorded in to a forecast or budget, which was presented at our meeting in Chicago by all of our officers, and generally Mr. O'Brien, Mr. Graf, sometimes Mr. Lynch and Mr. Cummins, and each department then discussed their problems as covered by that forecast, what they expected to be able to do, what their earnings would be, and how much cash would be required to carry on the business, if we didn't have it. From that forecast which we would make up, we would estimate the probable cash income of the company during the period under discussion. In the event that our forecast was for the receipt of less cash than the activities which we off-hand would require, our ordinary method of providing for that additional money was to ask Standard Gas for it. That was the circumstances in which the majority of these advances were made, as shown in the accounts. And when they were so made, they were credited to Standard on the books of Deep Rock and expended for the purposes of Deep Rock. When a budget sum was provided or forecast for activities in the matter of the acquisition or development of leases for a certain month, those activities

were not held to that budget. The budget for leases, usually it varied; sometime we would run along with $50,000 a month appropriated, sometimes it was seventy-five, at times it was one hundred, and if we spent a little more than that it didn't make any difference. We tried to keep within that limit.

The reason why the payments for the Bradstreet properties were carried through the books of Deep Rock and there charged to the trustee, Kennedy; and the purchases in addition to the refinery, made in the name of Graf, trustee, were carried through the Deep Rock books was as follows: We were in better position to buy those kinds of properties than were anybody else. We did buy them and furnished the money and then charged it to J. C. Kennedy, trustee, or R. J. Graf, trustee, as the case may be. I could not specifically tell you where we got the money which we charged to them and with which we were paying for this property. But whatever amount we got over and above the amounts furnished by the company were obtained from Standard or through these notes which were discounted. If we didn't have enough cash, which was shown by our budget, we got the additional cash from Standard.

W. R. Francisco, on cross-examination by Mr. Ramsey, testified:

The interest was paid on the $10,000,000 notes for 1932. We paid it. It was deposited in the bank to the trustee. We might have gotten the money from Standard, but the money was paid. There was no agreement between the Standard and the Deep Rock as to how long the Standard was to carry this open account from time to time. It ran along in default, and the balance in favor of the Standard was over a million dollars for four or five years. Taking into consideration all the physical assets and the money and bills receivable and everything at the time the receiver was appointed, it was my estimate at that time that the entire assets, including all these matters, were worth about $12,000,000.

Mr. Ramsey: That is all.

Mr. Gibson: That is all.

Mr. Campbell: Let the record show that the stipulation is filed.

Mr. Ramsey: Do you close your case?

Mr. Gibson: Yes.

Mr. Ramsey: We close.

(Which was all the evidence offered or received at the hearings of the above-entitled cause involving the merits of the Standard claim).

Stipulation in Regard to Claim of Standard Gas and Electric Company, Filed February 13, 1935.

In this stipulation (a) Deep Rock means Shaffer Oil and Refining Company and Deep Rock Oil Corporation, (b) Standard means Standard Gas and Electric Company, (c) Engineering and Management Corporation means Byllesby Engineering and Management Corporation, (d) Byllesby and Company means H. M. Byllesby and Company, and (e) Refining Company means Deep Rock Oil and Refining Company, and with this understanding counsel for Standard, the claimant, and H. N. Greis, the Trustee, hereby agree as follows:

(1) That the printed prospectus, hereto attached as Exhibit No. 1 and heretofore referred to in the taking of testimony as Receiver's Exhibit C, or Trustee's Exhibit C, was used and exhibited by the underwriters, Byllesby and Company, Janney & Company, and Federal Securities Corporation, and their agents, sub-agents and brokers, in the sale to the public of the $10,000,000.00 of Deep Rock's notes therein described, and that the letter dated March 6, 1928, signed by John J. O'Brien, President, and addressed to Byllesby and Company, Janney & Company, and Federal Securities Corporation, printed as a part of the prospectus, is the same letter referred to and marked Exhibit A in the first section of the contract entered into between Deep Rock and Byllesby and Company, Janney & Company, and Federal Securities Corporation, under date of March 6, 1928, for the sale of the $10,000,000.00 of Deep Rock's notes and authorized and approved by the Deep Rock's Board of Directors at a meeting held in Chicago on March 9, 1928; and that the contract set forth in the minutes of the Directors meeting of the Deep Rock, held in Chicago on March 9, 1928, is a true copy of the contract between Deep Rock and the said Bankers.

(2) That neither the Standard nor Engineering and Management Corporation ever at any time complied with the re-

quirements of Section 43, Article 9, of the Oklahoma Constitution, and the provisions of the Oklahoma statutes regulating the admission of foreign corporations to do business in Oklahoma, and that neither of said corporations ever appointed an agent in Oklahoma upon whom service of process could be had, and that neither has paid any license tax or fees to the State of Oklahoma for the privilege of doing business in Oklahoma.

(3) That Standard, since its organization, has complied annually with the laws of the State of Illinois regulating the admission of foreign corporations to do business in that state and has complied with the laws of Illinois with regard to making annual reports and paying annual franchise taxes, and that it has at all times since its organization been licensed to do business in Illinois and has continuously down to date had its general offices and principal place of business in the City of Chicago, Illinois, and has continuously done business in the State of Illinois; that at no time since its organization has the Standard had any agent or representative in Oklahoma authorized to transact business in Oklahoma.

(4) That on August 20, 1919, Deep Rock was licensed to do business in the State of Illinois and has continuously at all times complied with the provisions of the statutes of Illinois with regard to making annual reports and paying annual franchise taxes, and that said corporation is now and has been since 1919, admitted to do business in the State of Illinois as required of foreign corporations by the laws and statutes of that State.

(5) That the Deep Rock has at all times since its organization maintained offices in the City of Chicago, Illinois, and done business in Illinois.

(6) That Exhibit No. 2 hereto attached is a correct copy of a contract dated July 1, 1922,, between Deep Rock and R. J. Graf, Trustee.

(7) That under date of December 6, 1922, Deep Rock executed, acknowledged and delivered to R. J. Graf, Trustee, a deed conveying to R. J. Graf, Trustee, the land and property described in Exhibit No. 2 hereto attached; that said deed recites $1.00 and other good and valuable consideration, was filed for record in the office of the County Clerk

of Payne County, Oklahoma, on December 20, 1922, and duly recorded.

(8) That R. J. Graf, Trustee, has not up to this date executed and delivered a deed to all or any part of the property described in Exhibit No. 2 hereto attached to either the Refining Company or to any other person or corporation, but still holds the title in trust.

(9) That the lease dated October 1, 1925, and executed by the Refining Company, as lessor, and Deep Rock, as lessee, shown by Exhibit A to Trustee's objections to Standard's claim, has never been filed for record or recorded in the office of the County Clerk of Payne County, Oklahoma, or any other county. That by mistake of the draftsman the cracking plant at Cushing was omitted from the description of the properties leased, but was treated by the parties as contained therein.

(10) That the lease dated December 20, 1930, and executed by the Refining Company, as lessor, and Deep Rock, as lessee, shown by Exhibit B to Trustee's objections to Standard's claim, has never been filed for record or recorded in the office of the County Clerk of Payne County, Oklahoma, or any other county.

(11) That neither the lease dated October 1, 1925, nor the lease dated December 20, 1930, shown by Exhibits A and B to Trustee's objections to Standard's claim, was submitted to or approved or authorized by any meeting of the Board of Directors or Executive Committees of the Deep Rock or of the Refining Company, nor was the letter of B. F. Braheney to O. O. Kerr, Trustee's Exhibit "Eye," dated December 22, 1925, nor the statements or instructions therein contained submitted to or authorized or approved by any meeting of the boards of directors or Executive Committees of the lessor or lessee corporation.

(12) That there was never submitted to any meeting of the Deep Rock's Board of Directors, or approved by Deep Rock's Board of Directors, any contract whereby it obligated itself to pay the Engineering and Management Corporation fees or charges for management or finance services, or any kind of services.

(13) That no person, firm, corporation or association ever

executed any written instrument stating (a) for whom J. C. Kennedy was acting as Trustee for the Bradstreet properties and additions thereto, or (b) for whom R. J. Graf was acting as Trustee for the land described in Exhibit No. 2 hereto and the deed described in Section (7) of this stipulatiton, or the improvements thereon, or (c) defining the powers and duties of J. C. Kennedy and R. J. Graf, as trustees of the titles of said properties.

(14) That the District Court of Tulsa County, Oklahoma, on February 28, 1933, in a suit that day filed in said court, styled "John L. Gray and L. B. Riddle, Plaintiffs, vs. Deep Rock Oil Corporation, a corporation, Deep Rock Oil and Refining Company, a corporation, Standard Gas and Electric Company, a corporation, and Oklahoma Gas and Electric Company, a corporation, Defendants, No. 55845," appointed E. H. Moore, Receiver of the Deep Rock; that the Deep Rock immediately removed said case to the United States District Court for the Northern District of Oklahoma and filed a transcript of the record therein, said case being docketed No. 844 Equity, and on March 2nd, 1933, the United States District Court for the Northern District of Oklahoma appointed H. N. Greis and E. H. Moore joint receivers of the Deep Rock and its properties and assets; that by permission of the United States District Court for the Northern District of Oklahoma the Standard did, on the 15th day of August, 1933, file its petition in intervention in said Equity No. 844, a copy of which petition in intervention is hereto attached and made a part hereof as Exhibit No. 3; that Exhibit A to Standard's petition in intervention in said Equity No. 844 is omitted from Exhibit No. 3 hereto attached because said Exhibit A is the same as Exhibit A to Standard's claim filed in Bankruptcy No. 2318 Consolidated; that thereafter and on November 28, 1933, H. N. Greis and E. H. Moore filed their answer and counterclaim to the petition in intervention of the Standard in said equity cause No. 844, a copy of which is hereto attached and made a part hereof as Exhibit No. 4, with the exception of Exhibits A and B which are the same as Exhibits A and B to the Objections of the Trustee in Bankruptcy to the Standard's claim in Bankruptcy No. 2318 consolidated; that by permission of the court in Equity No. 844, the Standard did, on December 28, 1933, file its answer and reply to the answer and counterclaim of H. N. Greis and E. H. Moore, as receivers of Deep Rock,

a copy of which answer and reply of the Standard is hereto attached and made a part hereof as Exhibit No. 5.

(15) The printed annual reports of the Standard for the years ending December 31, 1923, 1924, 1925, 1926, 1927, 1928, 1929, 1930, 1931 and 1932, correctly state the names and addresses of the officers of the Standard and its Board of Directors for each of said years.

(16) That Exhibit No. 6 hereto attached and made a part hereof is the Exhibit A to the contract of April 15th, 1926, between Deep Rock, party of the first part, and Byllesby and Company, Janney & Co., and Federal Securties Corporation, set forth in and approved by the minutes of the meeting of the Board of Directors of the Deep Rock held at 223 South La Salle Street, Chicago, Illinois, on April 27, 1926, and was the prospectus used by the said bankers in selling the $7,500,000.00 Deep Rock two-year Gold Notes due April 15, 1928.

(17) That Exhibit No. 7 hereto attached and made a part hereof is a memorandum of the items composing Deep Rock's indebtedness to the Standard, furnished by B. F. Lynch during his testimony.

(18) That Exhibit No. 8 hereto attached and made a part hereof is a list of the Deep Rock's directors attending the Deep Rock's directors meetings (with those directors absent also noted) declaring dividends, as recited in Exhibit No. 8.

(19) That Exhibit No. 9 is a copy of a telegram sent on December 10, 1925, from Chicago, Illinois, to W. R. Francisco, and signed by B. F. Braheney, one of Standard's witnesses.

(20) That Exhibit No. 10 hereto attached and made a part hereof is a copy of a letter from Standard, signed by R. J. Graf, Standard's First Vice-President, dated May 28, 1932, addressed to Deep Rock Oil Corporation, 155 N. Clark Street, Chicago, Illinois.

(21) That Exhibit No. 11 hereto attached and made a part hereof is a copy of a letter from Standard, signed by Robert J. Graf, Standard's First Vice-President, dated December 14, 1932, addressed to First Union Trust and Savings Bank, 38 South Dearborn Street, Chicago, Illinois, with the First Union Trust and Savings Bank's acknowledgment of receipt thereof endorsed thereon.

(22) That Exhibit No. 11-A hereto attached and made a part hereof is a copy of a letter of March 4, 1933, to the Holders of the 6% Convertible Gold Notes of the Deep Rock, due March 1, 1933, and the 7% Convertible Gold Notes due March 1, 1937, signed by H. M. Byllesby and Company, Janney & Co., and Central Republic Company.

(23) That Exhibit No. 12 hereto attached and made a part hereof is a list of the officers and directors of the Engineering and Management Corporation from the year 1919 to 1933, inclusive.

(24) That Exhibit No. 13 hereto attached and made a part hereof is a list of the directors of Byllesby and Company from the year 1910 to 1933, inclusive.

(25) That Exhibit No. 14 hereto attached and made a part hereof is a list of the Directors of Standard from the year 1910 to 1922, inclusive, and a list of the Officers and Directors of the Standard from the year 1923 to 1932, inclusive, and a list of the Directors of the Standard for the year 1933.

(26) That Exhibit No. 15 hereto attached and made a part hereof is a list of the Deep Rock's Directors from June 6, 1919, to 1934, inclusive, with certain recitations thereon also made a part hereof.

(27) That Exhibit No. 16 hereto attached and made a part hereof is a list of the Deep Rock's Officers from June 6, 1919, to 1934, inclusive, with certain recitations thereon also made a part hereof.

(28) That Exhibit No. 17 hereto attached and made a part hereof shows the members of the Deep Rock's Executive Committee from June 6, 1919, to 1933, inclusive.

(29) That Exhibit No. 18 hereto attached and made a part hereof is a statement of the dividends paid by Engineering and Management Corporation for the years 1919 to 1933, inclusive, with a column showing surplus at the end of certain years after dividends were paid. This Exhibit No. 18, with all typewritten entries thereon, is made a part of this stipulation.

(30) That Exhibit No. 19 hereto attached and made a part hereof is a list furnished by Mr. Braheney showing corporations in which the Deep Rock owns all or a controlling interest.

(31) That Exhibit No. 20 hereto attached and made a part hereof contains a list of the Directors of the Refining Company from 1923 to 1934, inclusive.

(32) The first meeting of the Board of Directors of the Refining Company was held March 22, 1923, at 208 South La Salle Street, Chicago, Illinois. A copy of the minutes of that meeting is hereto attached as Exhibit No. 21 and marked First Meeting, and made a part of this stipulation.

(33) The next meeting of the Refining Company's Directors was held June 2, 1923, at 208 South La Salle Street, Chicago, Illinois. A copy of the minutes of that meeting is hereto attached as Exhibit No. 22 and marked Second Meeting, and made a part of this stipulation.

(34) The next meeting of the Refining Company's directors was held March 27, 1925, at 231 South La Salle Street, Chicago, Illinois. A copy of the minutes of that meeting is hereto attached as Exhibit No. 23 and marked Third Meeting, and made a part of this stipulation.

(35) The next meeting of the Refining Company's Directors was held December 31, 1925, at 231 South La Salle Street, Chicago, Illinois. A copy of the minutes of that meeting is hereto attached as Exhibit No. 24 and marked Fourth Meeting, and made a part of this stipulation.

(36) The next meeting of the Refining Company's Directors was held April 7, 1926, at 231 South LaSalle Street, Chicago, Illinois. A copy of the minutes of that meeting is hereto attached as Exhibit No. 25, and marked Fifth Meeting, and made a part of this stipulation.

(37) The next meeting of the Refining Company's Directors was held June 28, 1926, at 231 South La Salle Street, Chicago, Illinois. A copy of the minutes of that meeting is hereto attached as Exhibit No. 26, and marked Sixth Meeting, and made a part of this stipulation.

(38) The next meeting of the Refining Company's Directors was held July 26, 1926, at 231 South La Salle Street, Chicago, Illinois. A copy of the minutes of that meeting is hereto attached as Exhibit No. 27, and marked Seventh Meeting, and made a part of this stipulation.

(39) Thereafter monthly meetings of the Refining Company's Board of Directors were held at Tulsa, Oklahoma,

from August, 1926, to March, 1931, inclusive, at each of which meetings a dividend of Fifty Thousand ($50,000.00) Dollars for the current month was declared on common stock of the company, payable on the last day of the month.

(40) Thereafter meetings of the Refining Company's Directors were held at Tulsa, Oklahoma, and dividends declared as follows:

April 17, 1931	$ 5,792.85
May 25, 1931	38,579.82
June 19, 1931	38,948.21
July 1, 1931	38,579.82
August 11, 1931	38,579.82
September 15, 1931	38,948.21
October 12, 1931	38,579.82
November 18, 1931	38,948.21
December 8, 1931	38,579.82
January 11, 1932	38,579.82
February 12, 1932	39,316.61
March 14, 1932	38,579.82
April 1, 1932	38,948.21
May 9, 1932	38,579.82
June 9, 1932	38,948.21
July 14, 1932	38,579.82
August 5, 1932	38,579.82
September 15, 1932	38,948.21
October 11, 1932	38,579.82
November 21, 1932	38,948.21
December 16, 1932	38,579.82
January 16, 1933	38,579.82
February 17, 1933	39,685.00

(41) There is no written record of any meeting of the Refining Company's Executive Committee.

(42) Exhibit No. 28 hereto attached, composed of 23 pages, is a photostatic copy of the Refining Company's stock transfer book and shows all the entries and transfers of stock. Seven pages show stock certificate stubs for stock issued and not transferred. Exhibit No. 28, with all the matter therein contained, is made a part hereof and a part of the evidence.

(43) The first meeting of the incorporators and subscribers of the stock of the Refining Company was held at Wilmington, Delaware, February 27, 1923, at which meeting the following

were elected Directors: R. J. Graf, R. G. Hunt, B. W. Lynch, A. S. Cummins, J. H. Briggs.

(44) The first meeting of the stockholders of the Refining Company was held at the office of the company, 3018 DuPont Building, Wilmington, Delaware, February 16, 1928. The following stockholders of record were represented at said meeting by proxy: R. J. Graf, 2 shares; B. W. Lynch, 2 shares; M. A. Morrison, 8,990 shares.

The following Directors were elected at that meeting: John L. Gray, R. J. Graf, B. W. Lynch, W. R. Francisco, L. B. Riddle.

(45) Thereafter Refining Company's annual stockholders' meetings were held in February of each year commencing in 1929, the last annual stockholders' meeting being held February, 1934.

(46) It is further agreed that Trustee's Exhibit X is a correct copy of the minutes of the following meetings of the Deep Rock's Board of Directors, Stockholders and Executive Committee, and that it may be introduced in evidence in lieu of the originals which are contained in loose-leaf bound volumes:

(1) First meeting of Board of Directors, held June 6, 1919.

(2) Special Meeting of Board of Directors, held at 11 o'clock A. M., July 11, 1919.

(3) Special Meeting of Board of Directors, held at 2 o'clock P. M., July 11, 1919.

(4) Special Meeting of Board of Directors, held September 8, 1919.

(5) Regular Meeting of Board of Directors, held May 4, 1921.

(6) Regular Meeting of Board of Directors, held February 8, 1922.

(7) Adjourned regular meeting of the Board of Directors, held November 14, 1922.

(8) Adjourned regular meeting of Board of Directors, held December 26, 1922.

(9) Adjourned regular meeting of Board of Directors, held March 9, 1925.

(10) Regular Meeting of Board of Directors, held April 7, 1926.

(11) Adjourned regular meeting of Board of Directors, held April 16, 1926.

(12) Adjourned regular meeting of Board of Directors, held April 27, 1926.

(13) Regular Meeting of Board of Directors, held April 28, 1926.

(14) Regular Meeting of Board of Directors, held December 15, 1926.

(15) Adjourned regular meeting of Board of Directors, held March 9, 1928, with copy of agreement between Deep Rock, as first party, and H. M. Byllesby and Company and others, known therein as Bankers, dated March 6, 1928.

(16) Special Meeting of Board of Directors, held March 27, 1928.

(17) Special Meeting of Stockholders, held April 7, 1928.

(18) Regular Meeting of Board of Directors, held April 11, 1928, exclusive of Trust Agreement between Deep Rock and Union Trust Company, Trustee, here omitted but contained in the original minutes.

(19) Adjourned regular meeting of Board of Directors, held February 24, 1930.

(20) Adjourned regular meeting of Board of Directors, held December 12, 1930.

(21) Adjourned regular meeting of Board of Directors, held February 6, 1931.

(22) Adjourned regular meeting of Board of Directors, held March 24, 1931.

(23) Regular Meeting of Board of Directors, held April 27, 1932, omitting copy of printed matter referred to.

(24) Regular Meeting of Board of Directors, held October 19, 1932.

(25) Special Meeting of Board of Directors, held March 4, 1933, including copy of John L. Gray's and L. B. Riddle's separate letters, dated February 28, 1933, resigning as officers and Directors of Deep Rock.

(26) Meeting of the Executive Committee, held June 21, 1921.

(27) Meeting of the Executive Committee, held August 8, 1922.

(28) Meeting of the Executive Committee, held August 23, 1922.

(29) Meeting of the Executive Committee, held October 19, 1922.

(30) Meeting of the Executive Committee, held November 24, 1922.

(31) Meeting of the Executive Committee, held March 23, 1923.

(32) Meeting of the Executive Committee, held March 30, 1923.

(33) Meeting of the Executive Committee, held June 2, 1923.

(34) Meeting of the Executive Committee, held April 15, 1924.

(47) It Is Further Agreed

(a) That of the $166,302.81, interest charged in 1928 by Standard against Deep Rock's open account and shown in the 15th item of charges in Exhibit A to Standard's claim, the sum of $77,434.16 was part of Standard's open account balance on February 24, 1928, as shown by Knourek's answer to the 64th interrogatory, and that the aforesaid sum was paid Standard by the common stock transaction set forth on the last page of Knourek's answer to the 64th interrogatory.

(b) That the 7 per cent interest computed on monthly balances contained in Standard's account shown by Exhibit A to its claim accruing and charged after February 24, 1928, is as follows:

1928	$ 88,868.65
1929	199,761.41
1930	351,707.73
1931	516,288.03
1932	620,581.70
1933	111,250.10
Total	$1,888,457.62

(c) That the credit of $21,317.90 given Deep Rock by Standard in 1928 as an interest payment (and composing a

part of the total interest credits of $922,432.83 on the credit page of Exhibit A to Standard's claim) was paid by the Deep Rock by its check after the payment of Standard's balance as shown on the last page of Knourek's answer to the 64th interrogatory.

(d) That if the interest, computed at the annual rate of 7 per cent on monthly balances in the manner shown by the evidence, accruing and charged by Standard on its open account against Deep Rock between February 24, 1928, and February 28, 1933, ($1,888,457.62) had been computed and charged at the simple rate of 5 per cent per annum, the amount would have been $1,193,045.31 instead of the $1,888,457.62 charged into and composing a part of Standard's open account against the Deep Rock.

(48) That the Deep Rock (Shaffer Oil and Refining Company) immediately after its organization qualified as a foreign corporation to do business in the State of Oklahoma and has at all times since June, 1919, maintained (a) a process service agent in this state and (b) its qualifications to do business in Oklahoma as required by the Oklahoma Constitution and Statutes.

(49) Counsel for Standard reserve the right to object to the competency (as evidence) of any fact herein stated, or any exhibit hereto attached, except upon the ground that it is not the best evidence. Also this "Stipulation" is not intended as a complete "Agreed Statement of Facts," and shall not bar either party from introducing other and further evidence. This "Stipulation," with all exhibits hereto, may be introduced in evidence before the Special Master and made a part of the evidence in the case along with Standard's objections to any fact herein or exhibit hereto, which objections, if any, shall also become a part of the record.

GEO. S. RAMSEY,
Attorneys for H. N. Greis,
Trustee in Bankruptcy.

N. A. GIBSON,
Attorneys for Standard
Gas and Electric Company.

Exhibit 1 of Stipulation.

New Issue $10,000,000

Shaffer Oil and Refining Company.

6% Convertible Gold Notes.

Dated March 1, 1928 Due March 1, 1933

Interest payable March 1 and September 1 in Chicago and New York. Principal payable at the office of the Trustee. Coupon Notes of $1,000 and $500 denominations, registerable as to principal. Redeemable as a whole or in part at any time upon 60 days' published notice; until and including March 1, 1929, at 102½% and accrued interest, the premium thereafter decreasing ½% for each year or fraction thereof thereafter elapsed to and including September 1, 1932, the Notes thereafter being redeemable at 100% and accrued interest.

Interest payable without deduction for any normal Federal income tax, not in excess of 2%, which may lawfully be paid at the source. The Company will agree to refund, upon timely application, Pennsylvania personal property taxes not in excess of four mills per dollar per annum, Connecticut personal property taxes not in excess of four mills per dollar per annum, Maryland securities tax not in excess of four and one-half mills per dollar per annum, and Massachusetts income tax not in excess of six per cent per annum, to holders resident in those states.

Union Trust Company, Chicago, Trustee.

Mr. John J. O'Brien, President of the Company, summarizes his letter, dated March 6, 1928, as follows:

Business and Property: Shaffer Oil and Refining Company, incorporated in the State of Delaware May 31, 1919, is a balanced, self-contained unit of the petroleum industry, embracing fully within its own organization complete properties and facilities for the production, refining, transportation and marketing of its products. The Company, through its marketing organization, has established a substantial business in the retail distribution of high grade lubricating and other oils, gasoline, naphtha and other refinery products under its widely-known Deep Rock trade-mark and, in addition, has a large tank car distribution of these products.

The Company's refinery, having a daily capacity of 10,000 barrels, is located at Cushing, Oklahoma. In addition, the Company owns four casinghead gasoline plants having a total daily capacity of 21,000 gallons, pipe lines and gathering-pipe line system totaling 376 miles, and 626 tank cars.

The Company owns or controls oil leases covering 114,488 acres of oil lands in the States of Oklahoma, California, Texas, Kansas, Arkansas, Colorado, Louisiana, Montana, New Mexico and Mississippi, of which 11,159 acres are developed and on which a total of 569 producing wells are now in operation. The Company has a present daily average production in excess of 7,500 barrels. The Company and its subsidiaries produce approximately 87,500,000 gallons of gasoline products annually.

Through subsidiaries, the Company has retail distributing facilities through which were marketed for the 12 months ended December 31, 1927, approximately 49,500,000 gallons of gasoline and naphtha, 6,700,000 gallons of *kerosene*, 6,000,000 gallons of domestic heating oil, 2,000,000 gallons of lubricating oils—largely high grade motor oils—and 3,200,000 gallons of fuel and miscellaneous oils. The principal distributing territory includes the states of Illinois, Indiana, Minnesota, Wisconsin, Iowa, Nebraska, Oklahoma, Arkansas, North and South Dakota and Michigan, in which are located 235 bulk stations and 203 service stations.

Capitalization.

(giving effect to present financing)

Funded Debt:

6% Convertible Gold Notes due March 1, 1933 (this issue)	$10,000,000
Subsidiary distributing companies' bonds and notes	1,432,115

Stocks:

Convertible Preferred Stock $7 Cumulative, without par value	50,000 shares
Common Stock, without par value	580,000 shares

Earnings.

(Of Shaffer Oil and Refining Company and Subsidiaries.)

For 12 months ended December 31:	1925	1926	1927
Gross Earnings	$15,297,880	$21,910,697	$16,950,719
Operating Expenses, Maintenance and Taxes, including Depreciation and Depletion	12,203,931	17,999,690	14,768,364
Net Earnings	$ 3,093,949	$ 3,911,007	$ 2,182,355

Annual interest requirements on total funded debt to be presently outstanding, including this issue of $10,000,000 6% Convertible Gold Notes, due March 1, 1933 ..... $ 700,248

During the three years shown above Net Earnings, after deducting reserves for Depreciation and Depletion, averaged $3,062,437 annually or over 4.37 times the annual interest requirements on the total funded debt to be presently outstanding, including this issue of 6% Convertible Gold Notes.

Purpose of Issue: Proceeds from the sale of this issue of $10,000,000 6% Convertible Gold Notes, due March 1, 1933, and from the sale of Common Stock of the Company, will be used to retire the Company's present outstanding $1,843,700 First Mortgage 6% Bonds, due June 1, 1929, $7,500,000 Two-year 6% Gold Notes, due April 15, 1928, $4,250,000 6% Gold Notes, due December 31, 1931, and to reimburse the Company for expenditures for additions and extensions heretofore and now being made to its properties, and for other corporate purposes.

Conversion Privilege: These Notes may, at the option of the holder, be converted prior to maturity into Common Stock, as constituted at the time of conversion, on the basis of two shares of the present class of Common Stock, which is without par value, for each $100 face value of these 6% Convertible Gold Notes, with adjustment of accrued interest. Any Notes which may be called for redemption before maturity shall be convertible up to thirty days prior to the redemption date.

The average annual net earnings of the Company and subsidiaries, before Depreciation and Depletion, for the three

years ended December 31, 1927, after allowing for the annual interest on these 6% Convertible Gold Notes and for the annual dividend on the Convertible Preferred Stock, were equal to approximately $6.00 per share on the Common Stock outstanding giving effect to the present financing, and after Depreciation and Depletion were equal to approximately $3.50 per share.

Restrictions on Mortgages and Funded Debt: The Trust Agreement under which these 6% Convertible Gold Notes will be issued will provide that: (1) Neither the Company nor any subsidiary, as defined in the Trust Agreement, may create any mortgage on its property or any pledge of its assets (except purchase-money mortgages, mortgages then existing on property hereafter acquired, pledges of current assets to secure loans for not more than twelve months in the ordinary course of business and mortgages or pledges to secure inter-company indebtedness) without securing these 6% Convertible Gold Notes equally and ratably with the obligations authorized to be issued under such mortgage or secured by such pledge; and (2) neither the Company nor any such subsidiary may create any additional funded debt, except inter-company indebtedness, and as otherwise permitted in the above provision (1), unless these 6% Convertible Gold Notes shall be secured by mortgage upon the property of the debtor corporation in priority to any such funded debt.

We offer *this* Notes for delivery when, as and if issued and received by us. It is expected that interim receipts of Union Trust Company will be available for delivery on or about March 20, 1928.

All legal matters pertaining to this issue will be subject to the approval of Messrs. Roberts and Montgomery, of Philadelphia, for the Bankers, and Messrs. Cummins, Roemer and Flynn, of Chicago, for the Company.

Price 98½ and Accrued Interest, to Yield 6.35%

H. M. Byllesby and Company, 231 South La Salle Street, Chicago.

New York Boston Philadelphia Providence Detroit Minneapolis St. Paul Kansas City Des Moines

The above information has been obtained from reliable sources, and, while not guaranteed, is believed to be accurate.

Shaffer Oil and Refining Company.

March 6, 1928.

H. M. Byllesby and Company, Janney & Co., Federal Securities Corporation.

Dear Sirs: With reference to your purchase of $10,000,000 Shaffer Oil and Refining Company 6% Convertible Gold Notes, due March 1, 1933, I submit the following information:

Company.

Shaffer Oil and Refining Company, incorporated in the State of Delaware May 31, 1919, is a balanced, self-contained unit of the petroleum industry, embracing fully within its own organization complete properties and facilities for the production, refining, transportation and marketing of its products. The Company, through its marketing organization, has established a substantial business in the retail distribution of high-grade lubricating and other oils, gasoline, naphtha and other refinery products under its widely-known Deep Rock trademark and, in addition, has a large tank car distribution of these products.

Property.

The refinery, having a daily capacity of 10,000 barrels, is located at Cushing, Oklahoma, in the heart of the Mid-Continent field. It is a completely equipped plant, covering 391 acres, and includes a modern cracking plant, paraffin wax and lubricating oil equipment, and tank storage capacity of 2,315,000 barrels. Fuel requirements of the refinery are supplied by natural gas from the Company's own sources. The cracking process used is considered one of the most efficient known to the petroleum industry today. In addition, the Company owns four casinghead gasoline plants, having a total daily capacity of 21,000 gallons. The Company has its own pipe lines and gathering-pipe line system, totaling 376 miles, and gathers and pipes all of the crude oil which it refines. It has in operation a total of 876 tank cars, 626 of which are owned by the Company and 250 are leased by it under favorable terms. Practically all the tank cars are from 8,000 to 10,000 gallons capacity.

The Company owns or controls oil leases covering 114,488 acres of oil lands in the States of Oklahoma, California, Texas, Kansas, Arkansas, Colorado, Louisiana, Montana, New Mexico

and Mississippi, of which 11,159 acres are developed and on which a total of 569 producing wells are now in operation. The Company has a present daily average production in excess of 7,500 barrels and, for the 12 months ended December 31, 1927, produced 4,150,512 gallons of casinghead gasoline. The Company and its subsidiaries produce approximately 87,500,000 gallons of gasoline products annually.

Business.

Through subsidiaries, the Company has retail distributing facilities through which were marketed for the 12 months ended December 31, 1927, approximately 49,500,000 gallons of gasoline and naphtha, 6,700,000 gallons of kerosene, 6,000,000 gallons of domestic heating oil, 2,000,000 gallons of lubricating oils—largely high grade motor oils—and 3,200,000 gallons of fuel and miscellaneous oils. The principal distributing territory includes the States of Illinois, Indiana, Minnesota, Wisconsin, Iowa, Nebraska, Oklahoma, Arkansas, North and South Dakota and Michigan, in which are located 235 bulk stations and 203 service stations.

Capitalization.

(Giving effect to present financing.)

Funded Debt:	
6% Convertible Gold Notes, due March 1, 1933 (this issue)	$10,000,000
Subsidiary distributing companies' bonds and notes	1,432,115
Stocks:	
Convertible Preferred Stock, $7 Cumulative, without par value	50,000 shares
Common Stock, without par value	580,000 shares

Earnings.

(Of Shaffer Oil and Refining Company and Subsidiaries.)

For 12 months ended December 31:	1925	1926	1927
Gross Earnings	$15,297,880	$21,910,697	$16,950,719
Operating Expenses, Maintenance and Taxes, including Depreciation and Depletion	12,203,931	17,999,690	14,768.364
Net Earnings	$ 3,093,949	$ 3,911,007	$ 2,182,355

Annual interest requirements on total funded debt to be presently outstanding, including this issue of $10,000,000 6% Convertible Gold Notes, due March 1, 1933.....$ 700,248

During the three years shown above Net Earnings, after deducting reserves for Depreciation and Depletion, averaged $3,062,437 annually, or over 4.37 times the annual interest requirements on the total funded debt to be presently outstanding, including this issue of 6% Convertible Gold Notes.

Purpose of Issue.

Proceeds from the sale of this issue of $10,000,000 6% Convertible Gold Notes, due March 1, 1933, and from the sale of Common Stock of the Company, will be used to retire the Company's present outstanding $1,843,700 First Mortgage 6% Bonds, due June 1, 1929, $7,500,000 Two-year 6% Gold Notes, due April 15, 1928, $4,250,000 6% Gold Notes, due December 31, 1931, and to reimburse the Company for expenditures for additions and extensions heretofore and now being made to its properties, and for other corporate purposes.

Equity.

Junior to these 6% Convertible Gold Notes are preferred and common stocks of the Company which represent a cash investment in excess of $27,500,000.

Conversion Privilege.

These Notes may, at the option of the holder, be converted prior to maturity into Common Stock, as constituted at the time of conversion, on the basis of two shares of the present class of Common Stock, which is without par value, for each $100 face value of these 6% Convertible Gold Notes, with adjustment of accrued interest. Any Notes which may be called for redemption before maturity shall be convertible up to thirty days prior to the redemption date.

The Trust Agreement under which these Notes will be issued will contain appropriate provisions for adjustment of the above conversion basis in the event of the issuance of a stock dividend of additional stock of the class into which these Notes are then convertible, and, further, that these Notes will be accorded any more favorable basis for conversion into such stock at the time enjoyed by any future covertible funded debt or stock of the Company. If the present class of Common

Stock be changed into another class of stock after the issuance of these Notes, the Notes will be convertible into such other class of stock, and an adjustment of conversion basis will be made in the event of any such change of class or of a change in the character of the shares before conversion; all as provided in the Trust Agreement.

The average annual net earnings of the Company and subsidiaries, before Depreciation and Depletion, for the three years ended December 31, 1927, after allowing for the annual interest on these 6% Convertible Gold Notes and for the annual dividend on the Convertible Preferred Stock, were equal to approximately $6.00 per share on the Common Stock outstanding giving effect to the present financing, and after Depreciation and Depletion were equal to approximately $3.50 per share.

Provisions of Issue.

These 6% Convertible Gold Notes will be the direct obligation of Shaffer Oil and Refining Company, will be dated March 1, 1928, and due March 1, 1933. Interest will be payable semi-annually, March 1 and September 1, in Chicago and New York. Principal will be payable at the office of the Trustee. The Notes will be in coupon form, in denominations of $1,000 and $500, with privilege of registration as to principal only. These Notes will be redeemable as a whole or in part at any time upon 60 days' published notice; until and including Mar. 1, 1929, at 102½% and accrued interest, the premium thereafter decreasing ½% for each year or fraction thereof thereafter elapsed to and including September 1, 1932, the Notes thereafter being redeemable at 100% and accrued interest, Union Trust Company, of Chicago, will be Trustee.

Restrictions on Mortgages and Funded Debt.

The Trust Agreement under which these 6% Convertible Gold Notes will be issued will provide that

(1) Neither the Company nor any subsidiary, as defined in the Trust Agreement, may create any mortgage on its property or any pledge of its assets (except purchase-money mortgages, mortgages then existing on property hereafter acquired, pledges of current assets to secure loans for not more than twelve months in the ordinary course of business and mortgages or pledges to secure inter-company indebtedness) without securing these 6% Convertible Gold Notes equally and

ratably with the obligations authorized to be issued under such mortgage or secured by such pledge; and

(2) Neither the Company nor any such subsidiary may create any additional funded debt, except inter-company indebtedness, and as otherwise permitted in the above provision (1), unless these 6% Convertible Gold Notes shall be secured by mortgage upon the property of the debtor corporation in priority to any such funded debt.

Taxes.

The Company will agree to pay interest without deduction for any normal Federal income tax not in excess of 2%, which may lawfully be paid at the source, and will agree to refund, upon timely application, Pennsylvania personal property taxes not in excess of four mills per dollar per annum, Connecticut personal property taxes not in excess of four mills per dollar per annum, Maryland securities tax not in excess of four and one-half mills per dollar per annum, and Massachusetts income tax not in excess of six per cent per annum, to holders resident in those states.

The operations of the Company are under the direction of men of long experience in the oil industry.

Yours very truly,

JOHN J. O'BRIEN, President.

Exhibit 2 of Stipulation.

Agreement Between Shaffer Oil and Refining Company and R. J. Graf, Trustee, July 1, 1922.

This Agreement made and entered into this first day of July, 1922, by and between Shaffer Oil and Refining Company, a corporation, party of the first part, and R. J. Graf, Trustee, party of the second part, Witnesseth:

The said party of the first part hereby agrees to sell and the said party of the second part agrees to purchase, for the sum of Twenty-nine Hundred Six Dollars and Twenty-five Cents ($2906.25), the receipt of which sum is hereby acknowledged by the said party of the first part, the following described real property and premises, situated in Payne County, State of Oklahoma, to-wit:

A certain tract or parcel of land situated in the Southeast Quarter (SE¼) of Section Twenty-two (22), Township Eighteen (18) North, Range Five (5) East of the Indian Base and Meridian and being more definitely described as follows, to-wit:

Beginning at a point in the South boundary of said Section Twenty-two (22), five hundred eighty-seven (587) feet West of the Southeast corner of said Section, thence North and at right angles to the South boundary of said Section, a distance of eight hundred sixty (860) feet to a point; thence North sixteen (16) degrees forty-two (42) minutes West a distance of ninety-four (94) feet to a point in the East right-of-way line of the A. T. & S. F. Railway; thence in a Southwesterly direction along the said East right-of-way line of said railway to a point in the South boundary of said Section Twenty-two (22); thence East a distance of seven hundred ninety-eight (798) feet along the South boundary of said Section Twenty-two (22) to the place or point of beginning, containing nine (9) acres more or less.

A certain tract or parcel of land situated in the Northeast Quarter (NE¼) of Section Twenty-seven (27), Township Eighteen (18) North, Range Five (5) East of the Indian Base and Meridian and being more definitely described as follows, to-wit:

Beginning at a point one thousand ninety-nine (1,099) feet South and two hundred ninety-nine (299) feet West of the Northeast corner of said Section Twenty-seven (27); thence North one hundred thirty (130) feet; thence West fifty (50) feet; thence South One Hundred thirty (130) feet; thence East Fifty (50) feet to the place or point of beginning, containing one-sixth (1/6) of an acre, more or less.

A certain tract or parcel of land situated in the Northeast Quarter (NE¼) of Section Twenty-seven (27), Township Eighteen (18) North, Range Five (5) East of the Indian Base and Meridian and being more definitely described as follows, to-wit:

Beginning at a point one thousand fifty-seven and five tenths (1057.5) feet South and eight hundred thirty-six (836) feet West of the Northeast corner of said Section, said point being on the West edge of a brick fire wall; thence North sixty-three (63) degrees eighteen (18) minutes West between Steam Stills

#2 and 3, a distance of one hundred eighteen and five tenths (118.5) feet to a point in the East right-of-way line of the M. K. & T. Railway, thence South twenty-six (26) degrees forty-two (42) minutes West along said right-of-way a distance of forty-two (42) feet; thence South sixty-three (63) degrees, eighteen (18) minutes East a distance of one hundred eighteen and five tenths (118.5) feet to a point on the West edge of a brick fire wall; thence North twenty-six (26) degrees, forty-two (42) minutes East along said brick fire wall, a distance of forty-two (42) feet to the place or point of beginning, containing one-eight (⅛) of an acre, more or less.

A certain tract or parcel of land situated in the Northeast Quarter of Section Twenty-seven (27) Township Eighteen (18) North, Range Five (5) East of the Indian Base and Meridian and being more definitely described as follows, to-wit:

Beginning at a point one-thousand one hundred eighty-eight and one-tenth (1188.1) feet, South and nine hundred eighty-nine (989) feet West of the Northeast corner of said Section Twenty-seven (27), said point being on the East right-of-way line of the M. K. & T. Railway, thence South twenty-six (26) degrees, forty-two (42) minutes West along said right-of-way line, a distance of eighty (80) feet; thence South sixty-three (63) degrees, eighteen (18) minutes East, a distance of one hundred fifty (150) feet; thence North twenty-six degrees, *forth*-two (42) minutes East, a distance of eighty (80) feet; thence North sixty-three (63) degrees, eighteen (18) minutes West along the South edge of a brick fire wall a distance of one hundred fifty (150) feet to the point or place of beginning, containing one-third (⅓) of an acre, more or less.

A certain tract or parcel of land situated in the Northeast Quarter (NE¼) of Section twenty-seven (27), Township Eighteen (18) North, Range Five (5) East of the Indian Base and Meridian and being more definitely described as follows, to-wit:

Beginning at a point one thousand nine hundred sixty-seven (1,967) feet South and seven hundred ninety-six and four tenths (796.4) feet West of the Northeast corner of said Section Twenty-seven (27); thence North two hundred eight and seven-tenths (208.7) feet; thence West two hundred eight and seven-tenths (208.7) feet; thence South two hundred eight and seven-tenths (208.7) feet; thence East two hundred eight and

seven-tenths (208.7) feet to the place or point of beginning, containing one acre more or less.

A certain tract or parcel or land situated in the Northeast Quarter (NE¼) of Section twenty-seven (27), Township Eighteen (18) North, Range Five (5) East of the Indian Base and Meridian and being more definitely described as follows, to-wit:

Beginning at a point two thousand seventy and three-tenths (2,070.3) feet South and seven hundred fifteen and no-tenths (715.0) feet West of the Northeast corner of said Section Twenty-seven (27); thence West two hundred eight and seven-tenths (208.7) feet; thence South two hundred eight and seven-tenths (208.7) feet; thence East two hundred eight and seven-tenths (208.7) feet; thence North two hundred eight and seven-tenths (208.7) feet to the place or point of beginning, containing one (1) acre, more or less.

The said premises are subject to a certain mortgage or Trust Indenture, dated June 1, 1919, from Shaffer Oil and Refining Company to Continental and Commercial Trust and Savings Bank, Trustee, and William P. Kopf, Co-Trustee. Said party of the first part hereby covenants and agrees to have the said premises released from the lien of the aforementioned mortgage or Trust Indenture and to convey the said premises to the said party of the second part, in fee simple, clear of all encumbrances whatever, by a good and sufficient warranty deed on or before the expiration of six (6) months from the date of the execution of this agreement.

It is hereby expressly understood and agreed by and between the parties hereto that the said party of the second part shall have the right to the immediate possession of the said premises and shall have the further right to erect thereon improvements of any kind or nature.

It is hereby expressly understood and agreed by and be- the part of the party of the first part to obtain the release of the said mortgage or Trust Indenture and to deliver to the said party of the second part a good and sufficient warranty deed on or before the expiration of six (6) months from the date of the execution of this agreement, as aforesaid, the said party of the first part shall thereupon repay to the said party of the second part the said purchase price, namely Twenty-nine Hundred Six Dollars and Twenty-five Cents ($2906.25) together

with the reasonable cost of any improvements that may be made or erected thereon by the said party of the second part.

In Witness Whereof, the parties hereto have subscribed their names and affixed their seals the day and year first above written.

SHAFFER OIL AND REFINING COMPANY,
By H. C. CUMMINS, President.

Attest: W. R. Francisco, Secretary.

(Seal) R. J. GRAF, Trustee. (Seal)

Exhibit 3 of Stipulation.

Petition in Intervention.

To the Honorable Judges of the District Court of the United States in and for the Northern District of Oklahoma, sitting in Equity:

Comes now Standard Gas and Electric Company and by order of this Honorable Court heretofore made intervenes in the above-entitled cause and files this, its Petition in Intervention, and for its cause of action against Deep Rock Oil Corporation, the defendant herein, and against the property of said Deep Rock Oil Corporation now in the custody and possession of H. N. Greis and E. H. Moore, as receivers herein, says that Standard Gas and Electric Company, this petitioner, is a corporation duly organized and existing under the laws of the State of Delaware and that Deep Rock Oil Corporation is also a corporation organized and existing under the laws of the State of Delaware and that said Deep Rock Oil Corporation is duly authorized to do business in the State of Oklahoma and has large amounts of property, both real and personal, in this state, and that H. N. Greis and E. H. Moore aforesaid are the receivers of the said property of Deep Rock Oil Corporation in the State of Oklahoma within the jurisdiction of this court by order of this court heretofore made in this cause and are holding the same, managing and administering it, and are authorized under the orders of this court appointing them to reduce the same to possession in all regards and to distribute the same as may be hereafter ordered by this court; that heretofore on the 31st day of May, 1919, the defendant was organized under the laws of the State of Delaware as Shaffer Oil and

Refining Company, a corporation, and began the business of producing oil and kindred pursuits in the State of Oklahoma and continued such operations until the 31st day of March, 1930, at which time by proper authority the name of the said corporation was changed to Deep Rock Oil Corporation.

That during all of the time from June 1, 1919, and up until the 28th day of February, 1933, numerous business transactions took place between the said Deep Rock Oil Corporation and Standard Gas and Electric Company in connection with the business of producing oil and manufacturing and marketing its products in the State of Oklahoma and elsewhere; that during a large portion of the said time the actual operations of the said Deep Rock Oil Corporation were under the direction of the plaintiff, John L. Gray, who was Vice President and General Manager and a director of said corporation, and that the plaintiff, L. B. Riddle, was his chief assistant, and a director of said corporation.

That the said Deep Rock Oil Corporation maintained separate offices and organization and maintained its own set of books and kept its own accounts and that from time to time monthly or oftener, during all of said period statements of balances due to or from Standard Gas and Electric Company were transmitted by it to said Deep Rock Oil Corporation and similar statements transmitted by Deep Rock Oil Corporation to Standard Gas and Electric Company and that monthly the said mutual accounts so rendered were reconciled between the two companies and that any and all balances due to Standard Gas and Electric Company from Deep Rock Oil Corporation as shown by said statements were admitted by Deep Rock Oil Corporation and its officers and acknowledged to be true and correct.

That during all of the said period occasions arose when for the proper operation of the business and affairs of Deep Rock Oil Corporation sums of money in excess of its current income were solicited by the plaintiffs and by the other officers of Deep Rock Oil Corporation and by Deep Rock Oil Corporation of this intervener, Standard Gas and Electric Company, and that the said requests were granted from time to time and sums of money advanced by Standard Gas and Electric Company to Deep Rock Oil Corporation, and obligations of Deep Rock Oil Corporation assumed and paid for by Standard Gas and Electric Company, and that all services so rendered and

sums so advanced by Standard Gas and Electric Company to Deep Rock Oil Corporation were rendered and advanced at the request of Deep Rock Oil Corporation and its officers.

That the said advances made to and payments made for Deep Rock Oil Corporation by Standard Gas and Electric Company during the said period beginning June 1, 1919, and ending February 28, 1933, exceeded all proper credits and all payments made by Deep Rock Oil Corporation to Standard Gas and Electric Company by the sum of Nine Million Three Hundred Forty-two Thousand Six Hundred Forty-two Dollars and Thirty-seven Cents ($9,342,642.37) and that all of the said sum is now due and unpaid with interest thereon from February 28, 1933, at the rate of six per cent (6%) per annum; that no part of said amount has been paid and that there were and are no just deductions, credits or offsets against the same and that the said amount is now justly due and payable.

That the said balance of account so due to Standard Gas and Electric Company from Deep Rock Oil Corporation arises out of the following transactions: that is to say, that during all of the period from June 1, 1919, to and including February 28, 1933, Standard Gas and Electric Company loaned to Deep Rock Oil Corporation in cash the sum of Seventeen Million Four Hundred Seventy-three Thousand Four Hundred Seventy-eight Dollars and Five Cents ($17,473,478.05); that during said period Standard Gas and Electric Company advanced to or for said Deep Rock Oil Corporation to be used in payment of interest upon its funded debt, the sum of Three Million Ninety-six Thousand Three Hundred Sixty Dollars ($3,096,360.00); that during said period Standard Gas and Electric Company advanced to or for said Deep Rock Oil Corporation, as sinking fund requirements under its note and bond issues, the sum of Three Million Eight Hundred Eighty-six Thousand Six Hundred Sixty-six Dollars and Eighty-two Cents ($3,886,666.82); that during said period Standard Gas and Electric Company paid for the account of Deep Rock Oil Corporation its certain notes in the sum of Two Hundred Thousand Dollars ($200,000); that during said period Standard Gas and Electric Company paid as interest upon notes of Deep Rock Oil Corporation discounted for it by Standard Gas and Electric Company the sum of Forty-nine Thousand Five Hundred One Dollars and Fifty-three Cents ($49,501.53); that during said period Standard Gas and Electric Company advanced to or

for Deep Rock Oil Corporation to be used by it for the payment of dividends upon preferred stock of said corporation held by the public, the sum of Two Million Five Hundred Forty-two Thousand Five Hundred Nineteen Dollars ($2,542,519); that during said period Standard Gas and Electric Company advanced to or for said Deep Rock Oil Corporation to be used by it for the payment of dividends on common stock, the sum of One Hundred Two Thousand Five Hundred Seventy-six Dollars ($102,576.00); that during said period Standard Gas and Electric Company paid for said Deep Rock Oil Corporation in redemption of 8% notes of said corporation due in 1941 the sum of Two Hundred Forty-five Thousand Three Hundred Twenty-two Dollars ($245,322.00); that in the year 1926 Standard Gas and Electric Company paid for Deep Rock Oil and Refining Company federal income tax in the sum of Twenty-nine Thousand Five Hundred Sixty-five Dollars and Ninety-one Cents ($29,565.91), which said sum Deep Rock Oil Corporation was obligated to pay; that during said period Standard Gas and Electric Company paid for said Deep Rock Oil Corporation its note in favor of Continental National Bank and Trust Company in the sum of Three Hundred Ninety-five Thousand Seven Hundred Eighteen Dollars and Forty-two Cents ($395,718.42); that during said period Standard Gas and Electric Company redeemed for said Deep Rock Oil Corporation certain six per cent bonds due in 1929 with interest and premium in the sum of One Million Nine Hundred Twenty-two Thousand One Hundred Ten Dollars and Twenty-three cents ($1,922,110.23); that during said period at the request of Deep Rock Oil Corporation and for its account Standard Gas and Electric Company purchased for it eleven thousand (11,000) shares of preferred stock of Utility and Industrial Corporation and paid therefore and for the account of said Deep Rock Oil Corporation the sum of Two Hundred Seventy-seven Thousand Four Hundred Seventy-five Dollars ($277,475.00); that during said period Standard Gas and Electric Company in the year 1932 paid to H. M. Byllesby and Company as compensation for services in procuring the deposit of Shaffer Oil and Refining Company's 6% notes of 1933, deposited under an extension agreement, the sum of One Hundred Forty-three Thousand Four Hundred Twenty-five Dollars ($143,425.00); that during all of said period and upon various accounts for the benefit of said Deep Rock Oil Corporation, Standard Gas and Electric Company paid and advanced in cash upon obliga-

tions of said corporation the sum of One Million Eighty-seven Thousand Five Hundred Sixty-nine Dollars and Fifty-seven Cents ($1,087,569.57); that there accrued during said period as indebtedness due to Standard Gas and Electric Company from Deep Rock Oil Corporation upon sundry obligations of said corporation the following sums:

Interest upon open account balances	$4,819,322.07
Interest on notes receivable	184,087.93
Interest on five-year 6% notes owned by Standard Gas and Electric Company	331,500.00
Dividends on preferred stock	1,555,981.00
Dividends on common stock	1,946,672.00

that during all of said period Standard Gas and Electric Company assumed and paid for the benefit of Deep Rock Oil Corporation the following sums:

To Byllesby Engineering and Management Corporation:	
Sundry charges	230,463.16
Supervision fees	1,219,034.83
To H. M. Byllesby and Company a balance of	752,647.10
To Blue Ridge Oil and Gas Company	42,750.00
To Oklahoma Gas and Electric Company	20,600.05

and allowed a credit on account of transaction with Toltee Oil Company to said Deep Rock Oil Corporation of a balance in the sum of 1,773.66

Amount due as rentals to Deep Rock Oil and Refining Company 4,525,000.00

That during the said period Standard Gas and Electric Company performed other services for Deep Rock Oil Corporation and made charges therefor as follows:

For sale of Shaffer Oil and Refining Company 8% Notes of 1923 to Deep Rock Oil Corporation	$ 451,237.33
For acquisition of common stock of Home Oil Company for account of Deep Rock Oil Corporation	175,000.00

for which Shaffer Oil and Refining Company 8's of 1941 were received in payment in the sum of $175,000.00, balancing said charge.

For the transfer of open account of J. C. Kennedy, Trustee, to Deep Rock Oil Corporation the sum of	649,999.00
all of which was paid by acquisition of 8,325 shares of common stock of Deep Rock Oil and Refining Company from Deep Rock Oil Corporation at the price of $649,999.00, thereby balancing said charge.	
For transfer of notes receivable of Deep Rock Oil Corporation to open account	750,000.00
For amount paid for retirement of Shaffer Oil and Refining Company five-year 6% notes	4,250,000.00
or a total of debits of	$52,529,709.34

That during all of said period Standard Gas and Electric Company received from Deep Rock Oil Corporation the following sums and property for all of which credit was duly and properly given to Deep Rock Oil Corporation, to-wit:

For cash received on account	$4,403,414.32
Interest on open accounts	922,432.83
Notes receivable	21,666.67
Notes receivable discounted	19,716.69
For rentals due under lease of Deep Rock Oil and Refining Company	500,000.00
Reimbursements for sundry expenditures made for Deep Rock Oil Corporation	622,754.43
Miscellaneous cash receipts	23,812.85
Reimbursement of advance for dividends on preferred stock	927,500.00
Proceeds from sale of $10,000,000 face value Shaffer Oil and Refining Company 6% notes due in 1933	9,395,151.80
Less—Deposit for redemption of $7,500,000 face value of Shaffer Oil and Refining Company 6% notes due in 1928	7,727,075.45
Upon notes payable of the face value of $200,000 discounted by Standard Gas and Electric Company	195,783.33
On notes, bonds and stock received from Deep Rock Oil Corporation, as follows:	

For sale of Shaffer Oil and Refining Company 8% notes, 1923 and 1924, to H. M. Byllesby and Company for account of Deep Rock Oil Corporation	296,700.00
For Deep Rock Oil Corporation note in favor of Bradstreet Oil Company issued for account of Standard Gas and Electric Company for property for J. C. Kennedy, Trustee	150,000.00
For purchase of securities of Shaffer Oil and Refining Company the following sums:	
For $100,500.00 face value 6% Bonds due 1929	80,641.20
For 222,448 shares of common stock of Shaffer Oil and Refining Company	11,122,400.00
For 80,000 shares of preferred stock	7,223,333.33
For $7,500,000 face value of 6% notes due 1928	7,273,750.00
For $4,250,000 face value of 6% gold notes	4,080,000.00
For $1,057,300 face value of 8% serial notes due 1923 and 1924	964,627.31
For notes issued payable to Standard Gas and Electric Company	750,000.00
For miscellaneous expenditures for account of Standard Gas and Electric Company	45,865.55
For extensions and additions to properties of Deep Rock Oil and Refining Company	1,894,592.11
making a total of credit to Deep Rock Oil Corporation and extended to it by Standard Gas and Electric Company of	43,187,066.97
and that by application of the said credits to the aforesaid charges made by Standard Gas and Electric Company against Deep Rock Oil Corporation, there remains a balance due to Standard from Deep Rock Oil Corporation of	9,342,642.37
as aforesaid.	

That there is attached hereto in three sheets and made a part hereof, marked Exhibit A, a true and complete account of the said charges and credits analyzed and distributed by years during all of the said period from June 1, 1919, to February 28, 1933, which account is made a part hereof as fully as if herein set out at length and that the said account so attached represents truly and correctly the above claim of

Standard Gas and Electric Company against Deep Rock Oil Corporation as hereinabove set out.

That in the early part of the year 1928, the officers and directors of Deep Rock Oil Corporation concluded that it was necessary to refinance the said corporation by the issuance of $10,000,000 par value of 6% Convertible Gold Notes, to bear date as of March 1, 1928, and to become due on March 1, 1933, and to sell the same to the public, and out of the proceeds to retire indebtedness of the Company then outstanding and owned by the Public, consisting of $1,843,700 par value of First Mortgage 6% Sinking Fund Convertible Gold Bonds due June 1, 1929, and $7,500,000 par value of Two-Year 6% Gold Notes due April 15, 1928.

That at a meeting of the directors of Deep Rock Oil Corporation held on the 11th day of April, 1928, at which meeting the plaintiffs, who were then directors of Deep Rock Oil Corporation, were present and in which they actively participated, the Chairman of said meeting stated to the meeting that the Corporation was indebted to Standard Gas and Electric Company in the amount of $11,122,400, of which $4,250,000 was represented by 6% Gold Notes of the Company due December 31, 1931, and the remainder, $6,872,400, was due on open account. The Chairman stated to the said meeting that Standard Gas and Electric Company had offered to purchase from the Company 222,448 shares of the common stock of the company and in payment for the same to release and cancel the said indebtedness of $11,122,400.

The matter was fully discussed and a resolution duly offered, considered and unanimously adopted, by which resolution the Company authorized the sale to Standard Gas and Electric Company of 222,448 shares of its common stock at and for the sum of $11,122,400.

That in pursuance of the said resolution the said common stock, consisting of 222,448 shares, was issued to Standard Gas and Electric Company and the purchase price thereof, $11,122,400, was credited upon the indebtedness due from Deep Rock Oil Corporation to Standard Gas and Electric Company.

That at the same meeting of the Board of Directors of Deep Rock Oil Corporation, the chairman of the meeting also submitted a proposition of Standard Gas and Electric Company,

which was then the owner of 90,000 shares of Convertible Preferred 7% Cumulative Stock of Deep Rock Oil Corporation of the par value of $9,000,000, to exchange the same by surrendering it to the Company and taking in lieu thereof 180,000 shares of the common stock of the company, thereby reducing the preferred stock outstanding to 50,000 shares. That the said resolution was duly considered and unanimously adopted and thereafter the said shares of stock so authorized to be issued were issued to Standard Gas and Electric Company and the 90,000 shares of Convertible Preferred Stock so offered to be surrendered by it were surrendered to the Deep Rock Oil Corporation.

That prior to the issuance of the said two blocks of common stock, Standard Gas and Electric Company was the owner of 158,000 shares of the common stock of Deep Rock Oil Corporation out of a total of such stock outstanding of 177,552 shares and that 19,552 shares of said common stock were held by others, including plaintiffs and other officers of the corporation.

That by the issuance of said two blocks of stock the outstanding common capital stock of Deep Rock Oil Corporation was increased to 580,000 shares, of which Standard Gas and Electric Company held all except the said 19,552 shares.

That by the acquisition of the said stock so issued on or about April 12, 1928, amounting altogether to 402,448 shares, Standard Gas and Electric Company did not substantially enlarge its interest in Deep Rock Oil Corporation, and that the said transaction amounted in substance to a donation to Deep Rock Oil Corporation, and a voluntary cancellation by Standard Gas and Electric Company of Indebtedness justly due it, to the amount of $20,222,400; and said transaction constituted and was a complete settlement between said Deep Rock Oil Corporation and Standard Gas and Electric Company of the amount then owing from Deep Rock Oil Corporation to Standard Gas and Electric Company and the payment and satisfaction thereof to the extent of $11,222,400 and a further decrease of the obligations of Deep Rock Oil Corporation by the surrender of said preferred stock to the amount of $9,000,000, and thereby the value of the estate of Deep Rock Oil Corporation for the protection of the holders of the said $10,000,000 of 6% Convertible Gold Notes and the holders of preferred stock was correspondingly increased, and the sale

of said notes and the consequent maintenance of the credit of the corporation was thereby made possible. That all of the said $10,000,000 par value of 6% Convertible Gold Notes, a part of which are now claimed to be held by one of the plaintiffs herein, were sold subsequent to the application of the said credit of $11,222,400 and subsequent to the purchase of the said common stock.

That thereafter on or about the first day of March, 1930, a dividend upon the common stock of Deep Rock Oil Corporation was duly declared by its officers out of surplus and profits available for dividends and that of such dividend there was paid to Standard Gas and Electric Company as its proportionate share, the sum of $980,910.00. That such payment was made in the form of a check issued by Deep Rock Oil Corporation but that Standard Gas and Electric Company immediately thereafter applied the said check to the purchase price of additional common stock of Deep Rock Oil Corporation to the amount of 18,684 shares at the rate of $52.50 per share and that said Standard Gas and Electric Company thereby again contributed to the strengthening of the capital structure of Deep Rock Oil Corporation.

That the said amount so due to this intervener exceeds the sum of Three Thousand Dollars ($3,000) exclusive of interest and costs and that this court has jurisdiction of this controversy by reason of its possession of the property of Deep Rock Oil Corporation through its said receivers.

Wherefore, the premises considered, your petitioner prays that said receivers or the parties to this cause or all of them be required to plead to this Petition of Intervention within a time to be fixed by the court and that upon hearing of this petition this intervener be granted judgment against Deep Rock Oil Corporation and its said properties in the sum of Nine Million Three Hundred Forty-two Thousand Six Hundred Forty-two Dollars and Thirty-seven Cents ($9,342,642.37) with interest thereon at the rate of six per cent (6%) per annum from February 28, 1933, until paid and that it have judgment for its costs herein and that the court will establish and declare the said claim to be due and payable out of the assets of Deep Rock Oil Corporation in the hands of the receivers herein and will declare the relative priority of the said claim as with other claims against said estate and direct the receivers herein to pay the same when distribution of the

assets of said corporation or the proceeds thereof shall be directed by this court, and that this intervener have all other and proper relief to which it may in equity and good conscience be entitled.

R. M. CAMPBELL,
N. A. GIBSON,
Attorneys for Standard Gas and Electric Company.

State of Illinois, County of Cook, ss.

J. J. Madden, being by me first duly sworn, on his oath states that he is Assistant Treasurer of Standard Gas and Electric Company, a corporation, the intervener above mentioned; that he has read the above and foregoing petition in intervention and that the statements therein contained are true as he verily believes.

J. J. MADDEN.

Subscribed and sworn to before me this 11th day of August, 1933. C. M. Mader, Notary Public. (Seal) My commission expires May 10, 1937.

Exhibit 4 of Stipulation.

Answer and Counterclaim of H. N. Greis and E. H. Moore, as Receivers of Deep Rock Oil Corporation, to the Petition in Intervention Filed on August 15, 1933, by the Standard Gas and Electric Company, Wherein said Intervener Alleges That After Allowing All Just Credits, It Has a Valid Claim Against Deep Rock Oil Corporation and Its Properties in the sum of $9,342,642.37.

Come now the Receivers in the above styled cause, H. N. Greis and E. H. Moore, for and on behalf of themselves as Receivers of the Deep Rock Oil Corporation and the Deep Rock Oil Corporation, its stockholders and creditors, and state:

(1) That with respect to the intervener's allegation that the Deep Rock Oil Corporation (hereinafter referred to as Deep Rock) maintained separate offices and organization and maintained its own set of books and kept its own accounts, and that from time to time, monthly or oftener, during all of said period mentioned in the petition of intervention, statements of balances due to or from Standard Gas and Electric Com-

pany (hereinafter referred to as Standard) were transmitted by it to said Deep Rock and similar statements transmitted by Deep Rock to Standard, and that monthly the mutual accounts between the two so rendered were reconciled and any and all balances due the Standard from Deep Rock, as shown by said statements, were admitted by Deep Rock and its officers and acknowledged to be true and correct, any admission or acknowledgment (as the intervener alleges) made by the Deep Rock, its officers and agents, was not and is not binding on the said Deep Rock because the Deep Rock, as hereinafter set forth, was wholly and absolutely dominated by the Standard, and the Deep Rock's officers and agents were mere tools of the Standard, had and exercised no free will of their own, and in acting in all such matters and in all relations and dealings with the Standard were mere automatons.

(2) That with respect to the allegation in the petition of intervention that during the period from May 31, 1919, to February 28, 1933, the Deep Rock solicited advances from Standard in excess of Deep Rock's current income, etc., said statements are untrue as they verily believe, for the reason that the Deep Rock was wholly controlled and dominated by Standard and entered into no business transaction except upon the direction of the Standard, which kept close track of Deep Rock's income and funds on hand and no doubt furnished the Deep Rock money when the Deep Rock's treasury had been depleted and kept depleted as hereinafter more fully set forth.

(3) That they deny that during the period beginning June 1, 1919, and ending February 28, 1933, there was a balance of $9,342,642.37, or any other sum, due from Deep Rock to Standard, and they state that if the books of the Standard and the Deep Rock show that at the end of said period the Deep Rock was indebted to the Standard in the sum of $9,342,642.37, or any other sum, the Deep Rock had ample credits and offsets and counterclaims sufficient to offset such book balance.

(4) That they are without knowledge, and therefore deny, that during the period from June 1, 1919, to and including February 28, 1933, the Standard loaned to Deep Rock in cash the sum of $17,473,478.05, or any other sum.

(5) That they are without knowledge, and therefore deny, that during the period from June 1, 1919, to and including February 28, 1933, the Standard advanced to or for Deep

Rock, in order to enable the Deep Rock to pay interest on its funded debt, the sum of $3,096,360.00, or any other sum.

(6) That being without knowledge thereof they deny that during the aforesaid period the Standard advanced to or for Deep Rock as sinking fund requirements of its bond and note issues, the sum of $3,886,666.82, or any other sum.

(7) That being without knowledge thereof they deny that during the aforesaid period the Standard paid for the account of the Deep Rock certain notes executed by the Deep Rock in the sum of $200,000.00, or any other sum.

(8) That being without knowledge thereof they deny that during the aforesaid period the Standard paid as interest upon the Deep Rock's notes discounted for it by Standard the sum of $49,501.53, or any other sum, and in this connection, being without knowledge thereof, deny that the Standard ever discounted any notes for the Deep Rock.

(9) That being without knowledge thereof they deny that during the aforesaid period the Standard advanced to or for the Deep Rock, to be paid out as dividends upon Deep Rock's preferred stock held by the public, the sum of $2,542,519.00, or any other sum.

(10) That being without knowledge thereof they deny that during the aforesaid period the Standard advanced to or for the Deep Rock, to be used by the Deep Rock in paying dividends on its common stock, the sum of $102,576.00, or any other sum.

(11) That being without knowledge thereof they deny that during the aforesaid period the Standard paid for the account of the Deep Rock, in redemption of Deep Rock's eight per cent notes due in 1941, the sum of $245,322.00, or any other sum.

(12) That being without knowledge thereof they deny that during the year 1926, or at any other time, the Standard paid for the Deep Rock federal income tax in the sum of $29,565.91, and being without knowledge deny that the Deep Rock owed federal income tax in any such sum, or any other sum for said year.

(13) That being without knowledge thereof they deny that during the aforesaid period from June 1, 1919, to and including February 28, 1933, the Standard paid for Deep Rock

its, Deep Rock's, notes, owing to or executed in favor of Continental National Bank and Trust Company in the sum of $395,718.42, or any other sum.

(14) That being without knowledge thereof they deny that during the aforesaid period the Standard redeemed for the Deep Rock its, Deep Rock's six per cent bonds due in 1929 with interest and premium aggregating $1,922,110.23, or any other sum.

(15) That being without knowledge thereof they deny that during the aforesaid period Standard purchased 11,000 shares of the preferred stock of Utility and Industrial Corporation at the request of or for the account of Deep Rock and paid therefor the sum of $277,475.00, or any other sum.

(16) That being without knowledge thereof they deny that the Standard, in the year 1932 or at any other time, paid H. M. Byllesby and Company $143,425.00, or any other sum, for any services rendered the Deep Rock or its predecessor, Shaffer Oil and Refining Company, and in this connection aver that H. M. Byllesby and Company either owns the Standard or the Standard owns it, and that they are closely allied and separated only by the fiction of a corporate charter entity, but otherwise a unit, and these respondents aver that any transaction between H. M. Byllesby and Company and the Deep Rock, or between the Standard, H. M. Byllesby and Company and the Deep Rock should be closely scrutinized and the burden of proof placed upon the Standard to justify by clear evidence the validity of any claim it may have against the Deep Rock on account of any act or alleged service of H. M. Byllesby and Company.

(17) That being without knowledge thereof they deny that during the aforesaid period from June 1, 1919, to and including February 28, 1933, the Standard paid out $1,087,569.57, or any other sum, upon various accounts for the benefit of the Deep Rock, or advanced any cash upon obligations of the Deep Rock which could be charged to the Deep Rock.

(18) That being without knowledge thereof, except as hereinafter set forth in their affirmative allegations, they deny the validity of each of the items set forth in said petition of intervention commencing with the item entitled "Interest upon open account balances, $4,819,322.07" down to and including the total sum of $52,529,709.34, and say that on account

of the relationship between the Standard and the Deep Rock any and all claims of indebtedness and items set forth in the petition of intervention should be clearly established by relevant and competent proof.

(19) That they are without knowledge of the correctness or incorrectness of the items the Standard states in its intervention it received from Deep Rock in money and property, beginning with the item "For cash received on account, $4,403,414.32" and ending with the figure $4[illegible]87,066.97, and in this connection say that they should be authorized to employ an auditor to make an independent audit of the books and records of the Standard and also of the Deep Rock with a view to determining the correctness and validity of the mutual account carried on between said corporations.

(20) That they deny that the Deep Rock is indebted, or was indebted, on February 28, 1933, to the Standard in the sum of $9,342,642.37, or in any other sum.

(21) That they are without knowledge and therefore deny that in the early part of 1928 the officers and directors of the Deep Rock decided it was necessary to refinance the corporation by the issuance of $10,000,000.00 par value of six per cent Gold Notes to bear date March 1, 1928, and mature March 1, 1933, the proceeds to be used in retiring the Deep Rock's indebtedness, and in this connection aver and plead that neither the Deep Rock nor its officers and directors exercised any free will of their own, but in said alleged transaction, that is, the issuance of said $10,000,000.00 of notes bearing date March 1, 1928, and maturing March 1, 1933, they acted as the mere automaton of the Standard. They admit that such notes were issued and sold to the public, and are valid outstanding obligations of the Deep Rock.

(22) That being without knowledge thereof they deny that on April 11, 1928, or at any other time, the Deep Rock directors, at a meeting or at any other time or place, admitted that the Deep Rock was indebted to the Standard in the sum of $11,122,400.00, or any other sum, represented by notes or open account. In this connection respondents aver that the Standard manipulated the stocks and notes and indebtedness of the Deep Rock to suit itself, and finally showed up as the owner of all the issued and outstanding common stock of the Deep Rock except approximately 19,552 shares, a part of which is owned by the plaintiffs, Gray and Riddle, in this case.

(23) That being without knowledge thereof they deny that on or about April 12, 1928, or at any other time, there was any arrangement between the Deep Rock and the Standard, or any transaction between them, whereby the Standard and the Deep Rock entered into a complete settlement of all financial differences between them, and they deny that there has been any settlement or accord and satisfaction of the indebtedness of the Standard to the Deep Rock for and on account of the things and transactions hereinafter set out.

(24) They deny that in March, 1930, a dividend was declared upon the common stock of the Deep Rock out of the surplus and profits, and deny that any dividend was paid by the Deep Rock out of surplus and profits, and deny that the alleged dividend of $980,910.00 received by the Standard on the Deep Rock's common stock was paid out of surplus and profits, and in this connection aver that whatever dividend was paid at that time was paid out of capital because the Deep Rock had no surplus and undivided profits at any time in the year 1930.

(25) For further defense respondents aver and plead that:

(a) The Deep Rock was organized on May 31, 1919, under the name of Shaffer Oil and Refining Company, which name was changed in about 1928 or 1929, the exact date being unknown to these respondents, to Deep Rock Oil Corporation; that immediately upon its organization the Shaffer Oil and Refining Company complied with the provisions of the Oklahoma Constitution and Article 10 of Chapter 34 of the Oklahoma C. St. 1921, regulating the admission of foreign corporations to do business in the State of Oklahoma, and appointed and has since maintained an agent residing in Oklahoma City, Oklahoma, upon whom it agreed service of process may be had in actions commenced against it in the State of Oklahoma; that it has been continuously doing an active business in Oklahoma since its admission to do business in this state, more than twelve years last past; that it owns property in Tulsa County, Oklahoma, and has had at all times herein referred to its principal place of business and office in Tulsa, Tulsa County, Oklahoma, and has had for years officers and agents in charge of its principal business office in Tulsa, Tulsa County, Oklahoma; that Deep Rock, at the time a receiver was appointed for it and its property on February 28, 1933, by the District Court of Tulsa County, Oklahoma, was maintaining

its principal place of business and office in the City of Tulsa, Tulsa County, Oklahoma, and its affairs were apparently in charge of its local officers.

(b) That the claimant, Standard, is a corporation organized and existing under the laws of the State of Delaware; that its corporate organization was perfected prior to the organization and incorporation of Shaffer Oil and Refining Company; that it is what is known as a Holding Company with assets consisting almost exclusively of stocks and bonds and securities of other corporations, mostly public utility corporations; that it owns in its own name and thereby controls through stock ownership preferred and common stock in a great many corporations, and among the number it owns and has owned for approximately 13 years all the stock of the Byllesby Engineering and Management Corporation and the Deep Rock Oil and Refining Company; that since 1924 there has been issued and outstanding preferred stock of the Deep Rock as follows:

1925— 60,000 shares at $100.00 per share,
1926—140,000 shares at $100.00 per share,
1927—140,000 shares at $100.00 per share;

that in 1928 the preferred stock was reclassified and changed to no-par value and 50,000 shares of no-par value were issued at a valuation of $5,000,000.00; 50,000 shares of preferred stock of the Deep Rock has continued issued and outstanding from and including 1928 to this date; that of said 50,000 shares of preferred stock of the Deep Rock the Standard now owns and has owned continuously since 1928 down to this date only 969 shares, the balance of said preferred stock having been sold to the public and is now and has been for years owned by the public; that the authorized common stock of the Deep Rock was 1,000,000 shares of no-par value; 98 per cent of issued is now and has been owned by the Standard since Deep Rock's organization, and carried by Standard at a valuation of $20,110,533.90 for the year 1930; that the common stock of the Deep Rock has the voting power, except the preferred stock is entitled to vote on contingencies not here material; that by virtue of its ownership of approximately 98 per cent of the common stock of the Deep Rock, the Standard dominates and controls the Deep Rock and has dominated and controlled it for approximately 14 years last past and has used it at all times as one of its agencies, adjuncts and instrumen-

talities; that the Standard has always nominated and elected the Board of Directors of the Deep Rock and through its own Board of Directors has ever since its organization dictated the business policy and important business transactions of the Deep Rock, and has been at all times in absolute dominance and control of the Deep Rock's business, its affairs, capital, moneys and property; that Standard is one of the largest corporations in the world and its consolidated statement of its assets and those of its affiliated and subsidiary corporations are disclosed by its books as exceeding $1,000,000,000.00; that Standard's stock is now and has been for about 15 years last past listed on the New York Stock Exchange and stock exchanges in the United States and is now and has been all said times herein mentioned traded in by the public throughout the United States; that during all these times the Standard issued and sold to the public its stock and its promissory obligations in the form of notes and bonds; that the market for these securities has been influenced to a large extent by the reported and advertised assets and earnings of the Standard and its affiliated and subsidiary corporations, as shown by its consolidated statement furnished its stockholders and exhibited to the public.

(c) That the Standard, in order to create and maintain a demand on the market for its stocks and securities, has committed the wrongs herein detailed against the Deep Rock and its stockholders and creditors, as well as the public purchasing its securities; that immediately upon the organization of the Deep Rock one C. B. Shaffer conveyed to it oil and gas producing properties in Creek and other counties in Oklahoma and other states, Kansas, etc., and also a refinery and all properties in connection therewith and appurtenant thereto located at Cushing, in Payne County, Oklahoma, also undeveloped oil and gas leases, pipe lines, well equipment, machinery and material used in the development of oil and gas leases and properties; that the consideration for this conveyance by Shaffer to the Deep Rock, then the Shaffer Oil and Refining Company, was $9,500,000.00 in cash and a promissory note for $1,000,000.00 executed by H. M. Byllesby and Company, a corporation which either owns the Standard or is closely allied with and owned by the Standard; that although the capital structure of the Deep Rock has been changed from time to time by amending its Articles of Incorporation there has always been and is now outstanding both preferred and

common stock; that along in 1922 the controlling officers and directors of the Standard and the Deep Rock conceived the plan to buy what is known as the L. G. Bradstreet oil and gas properties, consisting mostly of oil and gas leases, developed and undeveloped, lying in Creek and Pawnee Counties, Oklahoma, and Columbia County, Arkansas, with a view to conveying said Bradstreet properties to a new corporation, advance certain sums of money for improvements and further development of the Bradstreet properties and the construction of a cracking plant, issue all the stock of the new corporation to the Standard, and, acting in the name of the said new corporation (Deep Rock Oil and Refining Company, a Delaware corporation, which was actually organized), as its agent, instrumentality and adjunct, lease the properties including the oil and gas leases and cracking plant to Deep Rock for an annual rental far in excess of the possible net income of the properties thus leased and thus divert from the Deep Rock a fixed annual sum to the treasury of the Standard; that prior thereto and in 1921 the Standard's controlling officers and directors devised the scheme of having the Deep Rock enter into a contract with the Byllesby Engineering and Management Corporation, a Delaware corporation, all of the stock of which corporation was then, is now, and has ever since been owned by the Standard, to pay said latter corporation $200,000.00 or more per year, or approximately that amount, for alleged supervision or management; that Byllesby Engineering and Management Corporation is and has been at all times a mere agency, instrumentality and adjunct of the Standard and acquired and used by the Standard to absorb and divert to its own treasury, use and benefits, income and profits and frequently gross income of its affiliated and subsidiary corporations such as the Deep Rock, and divert the receipts, income and profits from corporations in which the public own large blocks of stock to corporations in which the Standard owns all or substantially all the stock; that the Standard carried out and consummated this scheme by having subsidiary corporations, in which it owned the controlling voting stock and the public owned minority stock and bonds or other promissory obligations, enter into contracts with Byllesby Engineering and Management Corporation to render certain alleged expert services which were of little or no value and rarely in fact ever rendered at all; that Byllesby Engineering and Management Corporation since 1920 has received from

Deep Rock a sum in excess of $1,167,034.83 for which it rendered no substantial or valuable services and was not intended to render valuable or substantial services and was not intended or expected by the Standard to render any services of value any where commensurate with the enormous amount of money charged therefor by Byllesby Engineering and Management Corporation; that the Standard, instead of having the so-called Bradstreet properties conveyed direct to the Deep Rock or to itself, caused to be organized in February, 1923, under the laws of Delaware, another corporation named Deep Rock Oil and Refining Company and hereafter referred to as Refining Company; that in order to evade complying with the laws of the State of Oklahoma applicable to foreign corporations doing business in Oklahoma the Standard organized the Refining Company as a mere sham and fictitious agency to carry on in Oklahoma the Standard's business and it caused the Refining Company to appoint an agent upon whom service of process can be had in actions commenced in the courts of Oklahoma, and otherwise complied with the Constitution of the State of Oklahoma and Chapter 34 of Article 10 of the Oklahoma C. St. 1921; that the Standard paid for the Bradstreet properties a consideration of $650,000.00 and advanced approximately $861,297.79 for the construction of a cracking plant at Cushing, Oklahoma, on land owned by Deep Rock; that to evade the laws of Oklahoma and do business in Oklahoma without paying the license tax and other taxes assessible under the laws of Oklahoma the Standard took the title to the Bradstreet properties in the name of J. C. Kennedy, Trustee, and then constructed a cracking plant in the name of R. J. Graf, Trustee, one of its officers and a member of the Standard's Board of Directors; that the Standard furnished the money therefor and caused the Bradstreet properties to be further developed and explored at an expenditure of approximately $1,033,294.00, making a total investment in October, 1925, of $2,544,592.00, which Standard thereupon charged to Deep Rock, then operating under the name of Shaffer Oil and Refining Company, on an open account at the rate of seven per cent interest per annum, compounded monthly, although neither the cracking plant nor the Bradstreet properties with their improvements were conveyed to the Deep Rock; that the Deep Rock had no voice in this transaction or these transactions and its Board of Directors were mere dummies of the Standard; that the entire authorized and issued capital stock

of the Refining Company is now and has at all times been owned by Standard; that although the Standard charged the Deep Rock on an open account with the total amount of the investment in the Bradstreet properties and the cracking plant it had the trustees aforementioned convey the cracking plant on the Deep Rock's land to the Refining Company; that it also had the Bradstreet properties conveyed to the Refining Company; that at the time this scheme was being consummated in 1923, 1924 and 1925, and these fraudulent charges made against the Deep Rock, the Standard owned less than two per cent of the preferred stock of the Deep Rock, the public owning the balance and has since owned the preferred stock in the proportion of about 98 per cent to the public and two per cent to the Standard; that in October, 1925, the Standard, through its absolute domination of Deep Rock and complete ownership of Refining Company, caused those two corporations to enter into a sham and fraudulent contract whereby the Deep Rock leased from the Refining Company the cracking plant and its oil and gas leases for a rental of $225,000.00 for the last three months of 1925, and $50,000.00 per month thereafter for a period ending October 1st, 1930, although substantially all of the cost of the properties of the Refining Company was advanced by the Standard and charged to the Deep Rock by the Standard without any benefit or consideration moving to the Deep Rock; that Deep Rock monthly paid said rental in money or suffered itself to be charged by Standard with the amount it was unable to pay, with interest at seven per cent compounded monthly; that Standard would send from its office in Chicago, Illinois, (its main office and place of business) to the Secretary of the Refining Company at its office in Tulsa, Oklahoma, formal resolutions purporting to declare monthly dividends which resolutions the dummy directors of the Refining Company adopted monthly, for the purpose of diverting to the Standard the rentals paid to it by the Deep Rock; that the monthly rental payments were sometimes made by Deep Rock direct to Standard and sometimes to the Standard through the Refining Company, depending on the manner of bookkeeping and the financial exigencies of Standard and Deep Rock at the particular time; that on March 19, 1926, the general auditor of Byllesby Engineering and Management Corporation sent from its office in Chicago, Illinois, to W. R. Francisco, Secretary and Treasurer of the Deep Rock, a written rental agreement between Deep Rock

and Refining Company dated October 1, 1925, covering the Bradstreet properties, with directions to have Mr. Gray, as President of the Deep Rock, and himself as Secretary of the Deep Rock execute said contract on behalf of Refining Company and return the original to Chicago and keep a duplicate for the files in the Tulsa office; that said rental contract was executed, a copy of which is made a part hereof as Exhibit A; that the amount of the annual rental called for by Exhibit A and paid by Deep Rock was grossly exorbitant, fraudulent and extortionate and was an unconscionable diversion of Deep Rock's property to Standard through the fictitious corporate Refining Company as a mere conduit; that the Standard named all the officials and employees of the Refining Company and established its main office in Tulsa, Tulsa County, Oklahoma; that the Standard is now and has been doing business in Oklahoma for more than 10 years in the name of Refining Company, which it caused to be created and operated for the fraudulent purpose of absorbing the assets of Deep Rock, whose preferred stocks and promissory notes hereafter described were largely owned by the public; that the Deep Rock was actually losing money on the properties rented to it by the Refining Company under the contract shown by Exhibit A and notwithstanding the fact the rental therein called for was exorbitant, fraudulent and extortionate, the Standard, in October, 1930, directed said defendant Deep Rock and Refining Company to renew said contract for another five years, which was done under the orders and directions of the Standard at an annual rental of $600,000.00, payable $50,000. per month, a copy of which rental lease contract is hereto attached and made a part hereof as Exhibit B; that the Deep Rock has lost on said properties covered by said contracts during the years 1927 to 1930 inclusive the sum of $1,692,620.44, and how much more there has been since the year 1930 these respondents are unable to advise, but allege there has been considerable loss for which the Standard should be required to account; that the Standard caused the directors of the Deep Rock to declare dividends on its common stock in the total sum of $3,064,685.50 for the years 1926 to 1929 inclusive when there were no surplus profits out of which these dividends could be legally declared and no proper reserves were made for the depletion, depreciation, dry holes, expired or abandoned leases, before declaring said dividends and paying same, and

these respondents aver on information and belief that the dividends were paid out of the Deep Rock's capital.

(26) That in 1928, as of the date of March 1st, the Standard, by and through its control and dominance of the Deep Rock, caused the Deep Rock to issue and sell to the public its unsecured notes aggregating $10,000,000.00, bearing interest at the rate of six per cent per annum and maturing March 1, 1933; that said $10,000,000.00 in notes were issued and sold to the public in accordance with a declaration of trust entitled "Trust Agreement between Shaffer Oil and Refining Company and Union Trust Company, Trustee," whereby the Deep Rock, then officially known as Shaffer Oil and Refining Company, agreed that neither it nor its subsidiary would create any mortgage upon its property or any pledge of its assets unless it or its subsidiary in *enterint* into any mortgage or pledge would expressly secure the payment of the principal and interest of all the notes issued and issuable "hereunder equally and ratably with any indebtedness or obligations authorized to be created or issued under such mortgage or to be secured by such pledge"; that no mortgage or pledge of any sort or character has ever been executed by Deep Rock or any of its subsidiaries securing the aforesaid notes dated March 1, 1928, along with or without other notes and obligations issued by it or its subsidiaries.

(27) That the Standard was named as a party defendant in this case as commenced in the District Court of Tulsa County, docketed No. 55,845, with a prayer for issuance of process for service on it; that Standard, in order to avoid the reaction of its stockholders, creditors and the public to its being a codefendant in a petition for receivership at this time of depression, alarm and fear, agreed and proposed to counsel for plaintiffs that if plaintiffs would dismiss this case against it in the Tulsa County District Court without prejudice it would enter its appearance in the United States Court for the Northern District of Oklahoma upon the removal of this case to that court and file its claim as an alleged creditor and submit to the jurisdiction of this, the United States District Court for the Northern District of Oklahoma, to adjudge all claims it had against the Deep Rock and all claims in favor of the Deep Rock against it on account of the matters and things set forth in the plaintiffs' petition filed in the District Court of Tulsa County in this case; that realizing the possible

injury to Standard's standing in the financial world from the situation outlined its proposal was accepted by plaintiffs' counsel and this case was dismissed in the said state court against the Standard without prejudice; that plaintiffs' counsel relied on the good faith of Standard in obtaining said dismissal; that Standard in keeping good faith did on March 27, 1933, file its verified claim to which these receivers filed an answer and counterclaim and set-off.

(28) Reference is here made to (a) the order of the District Court of Tulsa County, Oklahoma, made and entered on February 28, 1933, in this case, prior to its removal to this court, appointing E. H. Moore as receiver, (b) Moore's receivership bond approved by the Tulsa County District Court on February 28th, 1933, and shown by the transcript of the record filed in this court on removal from the said State District Court, (c) the order of this court made and entered on March 2, 1933, appointing H. N. Greis and E. H. Moore as receivers of the defendant, Deep Rock, and its properties, etc., including choses in action, (d) the authority conferred upon said receivers by the two court orders referred to, and (e) the application of the receivers for instructions, shown by Exhibit C hereto attached, and the order of the court made thereon and shown by Exhibit D hereto attached; and these receivers aver that they have full power and authority and capacity to prosecute this, the above and foregoing counterclaim, as a justiciable cause of action against the Standard Gas and Electric Company, and also the right, capacity and authority to defend against the claim filed by the Standard, hereinbefore referred to.

(29) These receivers further aver that there should be an accounting had between the Standard Gas and Electric Company of its various transactions with the Deep Rock, and for this purpose a Master should be appointed to hear all the evidence in support of the Standard's claims against the Deep Rock and to hear and report all the evidence in support of the above counterclaim and cause of action against the Standard on behalf of the Deep Rock, and that the Master should be empowered to employ a competent auditor to assist in this matter, and that if necessary the Refining Company be made a party to this suit and an accounting had with it and between it, the Deep Rock and the Standard. In this connection your Receivers state that the Byllesby Engineering and Manage-

ment Corporation has never complied with the Constitution and Laws of the State of Oklahoma regulating the admission of foreign corporations to do business in Oklahoma and has not appointed any agent upon whom service of process may be made in actions in the state and federal courts of Oklahoma, although it has purported and pretended and claimed to be doing business in Oklahoma by way of engineering and management of the Deep Rock's affairs. These receivers aver that the Refining Company and the Byllesby Engineering and Management Corporation are each, and have been at all times herein mentioned, mere agents, instrumentalities and adjuncts of the Standard, organized and utilized by the Standard for the purpose of transacting the Standard's business in Oklahoma; that the separate corporate entity of the Refining Company and the Byllesby Engineering and Management Corporation from that of the Standard should be judicially ignored and a proper and equitable judgment and decree entered in this cause adjudging the Standard indebted to the Deep Rock, and therefore payable to these receivers, in the sum of $8,756,719.50, with interest thereon from the interest bearing dates as determined by the Master and approved by this court; also they pray that a Master be appointed with instructions to take all the evidence and report his *findings* of fact and conclusions of law with the evidence attached thereto. They also pray for all other and general relief as they may be entitled to under the premises.

H. N. GREIS,
E. H. MOORE,
Receivers.
By GEO. S. RAMSEY,
EDGAR A. de MEULES,
VILLARD MARTIN,
GARRETT LOGAN,
Attorneys for Receivers.

(Exhibit C to Exhibit No. 4 of Stipulation)

In the District Court of the United States for the Northern District of Oklahoma.

John L. Gray and L. B. Riddle, Plaintiffs, vs. Deep Rock Oil Corporation, a corporation, Defendant. No. 844 Equity.

Application of Receivers for Instructions.

Come now your receivers, H. N. Greis and E. H. Moore, and

respectfully show that by the order of their appointment entered in this cause on the 2nd day of March, 1933, they were appointed receivers of all of the rights, interests, and choses in action, and the appurtenances thereunto pertaining and belonging, with full power to demand, sue for, collect, receive and take into their possession all the goods, chattels, rights, credits, moneys, effects, lands, tenements and hereditaments, choses in action, bills, notes and property of every description belonging to said defendant, and they were authorized and empowered to institute such actions or proceedings at law or in equity as may be in their judgment necessary or proper for the protection, maintenance and preservation of the assets of the defendants; that heretofore, to-wit, on March 25th, 1933, the Standard Gas and Electric Company filed in this cause its claim against the defendant in the sum of $9,342,642.37; that from an investigation of the transactions between the defendant, Deep Rock Oil Corporation and the Standard Gas and Electric Company, upon mutual account and otherwise, the receivers have reason to believe that the Standard Gas and Electric Company is indebted to the defendant, Deep Rock Oil Corporation, in a large sum of money; that from an investigation of the facts alleged in the plaintiffs' petition filed on February 28, 1933, in this cause in the District Court of Tulsa County, Oklahoma, there is a probable cause of action against the Standard Gas and Electric Company on account of the facts therein alleged.

Wherefore, your receivers pray for instructions in the premises.

H. N. GREIS
E. H. MOORE
Receivers.

(Exhibit D to Exhibit No. 4 of Stipulation)

In the District Court of the United States for the Northern District of Oklahoma.

John L. Gray and L. B. Riddle, Plaintiffs, vs. Deep Rock Oil Corporation, a corporation, Defendant. No. 844 Equity.

Order

This cause coming on to be heard upon the application of the receivers, H. N. Greis and E. H. Moore, for instructions in connection with the claim of the Standard Gas and Electric

Company and a cause or causes of action by the receivers thought to exist on behalf of the defendant against the Standard Gas and Electric Company on account of the facts alleged in the petition of the plaintiffs filed in this cause in the District Court of Tulsa County, Oklahoma, on February 28, 1933;

And it appearing to the court from an examination of the plaintiffs' petition filed in this case in the District Court of Tulsa County, Oklahoma, on February 28, 1933, that there exists probable causes or a cause of action in favor of the defendant against the Standard Gas and Electric Company on account of the facts therein alleged; and it further appearing that the title of said causes or cause of action is vested in the Receivers aforesaid; and the court being fully advised in the premises,

It Is Hereby Ordered that the Receivers, H. N. Greis and E. H. Moore, be, and they are hereby authorized and directed either to institute a suit in such other court or courts as they may deem proper against the Standard Gas and Electric Company for all sums of money thought to be due the defend- and from any cause whatsoever, and particularly the cause or causes growing out of the facts alleged in said petition filed by the plaintiffs in this cause in the District Court of Tulsa County, Oklahoma, on February 28, 1933, or out of such additional facts as may be developed, or to assert such causes or cause of action in this cause by way of counterclaim to the claim herein filed by the Standard Gas and Electric Company.

Made and ordered entered on this 29th day of March, 1933.

F. E. KENNAMER,
District Judge.

Exhibit 5 of Stipulation.

Answer and Reply of Standard Gas and Electric Company to Answer and Counterclaim of H. N. Greis and E. H. Moore, as Receivers of Deep Rock Oil Corporation.

Comes now the defendant Standard Gas and Electric Company and for its reply to the answer and its answer to the counterclaim of H. N. Greis and E. H. Moore, as Receivers of Deep Rock Oil Corporation, filed herein, says:

1. That it denies the allegation in Paragraph 25, subdivision (b), of the pleading filed by the Receivers herein, that

it has at all times been in absolute dominance and control of the business of Deep Rock Oil Corporation, or of its affairs, capital, moneys and property, and denies that it is one of the largest corporations in the world.

2. It denies that it has committed any wrong against Deep Rock Oil Corporation, its stockholders and creditors, as is alleged in sub-paragraph (c) of Paragraph 25 of the said pleading, and states that on the contrary it has supported, maintained and protected the affairs of Deep Rock Oil Corporation at the expense to itself of more than Ten Million Dollars, for which no repayment is demanded, all as is shown in its claim and intervention herein filed.

And it specifically denies that anything connected with the purchase of the L. G. Bradstreet properties was for the benefit of Standard Gas and Electric Company in any way, save and except as it was interested in the success of Deep Rock Oil Corporation, and denies that it had or took any profits out of the said transaction, save and except those admitted and shown in its intervention herein.

It denies that Deep Rock has not received substantial and valuable services for all sums paid by it, but alleges the fact to be that it has at all times and that its associates have at all times rendered good and valuable services to Deep Rock Oil Corporation, and by their said services, and by the financial assistance which they have advanced to Deep Rock, they have made the continued existence of Deep Rock Oil Corporation possible.

It specifically denies that the purchase of the Bradstreet properties and the erection of the cracking plant at Cushing, Oklahoma, were for the purpose of evading the laws of Oklahoma.

Further answering the allegations of sub-section (c) of Paragraph 25, the defendant and intervener, Standard Gas and Electric Company, denies that any of the matters and things charged against it herein were for the purpose of creating and maintaining a market for its stocks and securities, and denies that it has committed any wrong against Deep Rock and its stockholders and creditors, or as against the public purchasing its securities. It admits that the interest of C. B. Shaffer in certain oil and gas producing properties in Creek and other counties in Oklahoma and elsewhere, and

a refinery at Cushing, were purchased, and that a very large sum of money was paid therefor, which was largely advanced by this intervener for the benefit of Deep Rock; and admits that it has for a long time owned a majority of the outstanding common stock of Deep Rock. It admits that the property of L. G. Bradstreet was purchased and title taken in the names of individuals, as trustees, and that the said property was thereafter transferred to a new corporation known as Deep Rock Oil and Refining Company, which is still the owner thereof; and alleges and avers the fact to be that all of the purchase price of the said properties and the cost of the erection of a cracking plant, which was erected in order to increase the profits in the operation of the refinery of Deep Rock, was advanced by this intervener.

It is further alleged that the capital stock of said Deep Rock Oil & Refining Company, with the exception of qualifying shares, was issued to Deep Rock, thereby creating it the beneficial owner of all of the properties of said corporation, and that Deep Rock thereafter, in order to relieve its said property of the debt created in favor of Standard Gas and Electric Company by the advance by it of the purchase price of said oil properties and the cost of erecting said cracking plant, transferred to this intervener the said capital stock.

It admits the lease of the said property to Deep Rock, but denies that the said lease was improvident.

It admits that Byllesby Engineering and Management Corporation was employed by Deep Rock to conduct certain operations for it, and that large sums were paid for said service, but denies that this intervener has compelled Deep Rock to enter into any contract which was at the time by it deemed disadvantageous to Deep Rock. And it denies that it has ever used any instrumentality to absorb and divert to its own treasury or use and benefit any part of the income of Deep Rock, and alleges and avers the fact to be that it has at all times performed service and advanced money and rendered other valuable assistance to Deep Rock greatly in excess of any advantage ever received by this intervener from its relationship with Deep Rock or its properties.

That it is informed and believes, and therefore alleges that Byllesby Engineering and Management Corporation rendered service of a value fully equal to any amount paid to it by Deep Rock, and has at all times maintained a large and expensive

force of engineers and experts who have stood ready to perform and have performed valuable service in the operations of Deep Rock.

It denies that Deep Rock Oil & Refining Company was organized to evade compliance with the laws of the State of Oklahoma, and alleges that it was organized in the due course of business, and all of its property purchased by money loaned and advanced by this intervener.

It further alleges that it is not true that Deep Rock had no voice in the transaction of the affairs of Deep Rock Oil & Refining Company, and alleges that at all times the said Refining Company's operations have been conducted with due regard to and for the benefit not only of its own stockholders but also for the benefit of Deep Rock, with which it was intimately associated, and that its existence is absolutely essential to the continued existence of Deep Rock, for the reason that the oil produced by the said refining company and the gasoline and other products manufactured in its refining plant are essential to the continuance of the marketing division of Deep Rock, and that the relationship between the two corporations has at all times proved advantageous to Deep Rock.

It denies that it has ever made any fraudulent charges against Deep Rock, or that it has had any reason to do so, and as evidence of said fact admits that it has at all times owned a very large part of the capital stock of Deep Rock, and that there was no reason why this intervener should attempt to deprive Deep Rock of its property or money; and it alleges that on the contrary it has at all times advanced money lavishly to Deep Rock, and that only a small portion thereof has ever been repaid to this intervener.

It denies that it has ever compelled the declaration of dividends by the refining company, but alleges the fact to be that the officers of the refining company have from time to time recommended the payment of dividends out of accrued earnings, and that such dividends were paid only out of earnings and profits available for that purpose.

It specifically denies that it has ever diverted any of the funds of Deep Rock to itself as rentals, dividends, or in any other way, or that it has compelled the performance by Deep Rock of any act not deemed by all of the officers and directors of Deep Rock to be for its best interest; and it avers that it

was advised by the officers and directors of Deep Rock as to all of the transactions connected with the Deep Rock Oil & Refining Company, and the purchase of the Bradstreet properties, and the erection of the cracking plant aforesaid, and that all such transactions were suggested and approved by the officers of Deep Rock Oil Corporation.

And it denies that it should be required to account for or return any portion of the rental paid by Deep Rock Oil Corporation for the rental of said Bradstreet properties and of the refinery aforesaid.

It specifically denies that any dividends of Deep Rock Oil Corporation were ever paid out of any funds other than surplus available for such payment.

3. Further answering, and particularly Paragraph 27 of the said pleading filed by the Receivers, this defendant and intervener denies that anything in the said Paragraph 27 is germane to the controversy herein, and prays that it be stricken as surplusage.

4. Further answering, the defendant specifically denies all of the allegations of Paragraph 29 of the said pleading of the Receivers, and avers the fact to be that Deep Rock Oil Corporation is indebted to it, as alleged by its petition in intervention herein and in its claim filed, and that it and its Receivers should be compelled to allow and pay the said claim so presented.

5. And this intervener further answering, if it has inadvertently omitted specific denial of any of the allegations falsely made against it in the answer and counterclaim aforesaid, denies that it has in any manner imposed upon, injured, defrauded, or in any wise deprived Deep Rock of any of its property, moneys or credits, and alleges and avers the fact to be that it has at all times acted and still is acting as the sponsor, supporter and benefactor of Deep Rock.

Wherefore, having fully answered herein, Standard Gas and Electric Company respectfully prays for all of the relief prayed by it in its claim and petition in intervention in this case, and for all other and proper relief to which it may be entitled.

.....

Attorneys for Standard Gas and Electric Company.

Filed Dec. 28, 1933.

Exhibit 6 of Stipulation.

$7,500,000
Shaffer Oil and Refining Company
Two-Year 6% Gold Notes
(Closed Issue)

Dated April 15, 1926 **Due April 15, 1928**

Interest payable April 15 and October 15 in Chicago and New York. Principal payable at the office of the Trustee. Coupon notes of $1,000 and $500 denominations, registerable as to principal. Redeemable as a whole or in part at any time upon 60 days' previous notice, at 101% and accrued interest on or before October 15, 1926, the premium thereafter decreasing ¼% for each 6 months or fraction thereafter elapsed to date of redemption.

Interest payable without deduction for normal Federal income tax not exceeding 2%. The Trust Agreement will provide for the refunding of Pennsylvania personal property tax, not in excess of four mills, and Massachusetts income tax not in excess of 6% of annual interest, upon proper application, to holders resident in those states.

Union Trust Company, Chicago, Trustee

Information furnished by officials of the company is summarized as follows:

Business and Property: Shaffer Oil and Refining Company, incorporated in Delaware May 31, 1919, is a balanced, self-contained unit of the petroleum industry, embracing fully within its own organization, complete properties and facilities for the production, refining, transportation and marketing of its products, which are distributed under its widely known Deep Rock trade mark. The refinery, with daily capacity of 10,000 barrels, is located at Cushing, in the heart of the Mid-Continent field. It is a completely equipped plant, covering 391 acres, and includes a cracking plant, paraffin wax and lubricating oil equipment, and tank storage capacity of 2,090,000 barrels. Fuel requirements of the refinery are supplied by gas from the company's own sources. The cracking process used is one of the most efficient known today. In addition there are four casinghead gasoline plants with total daily capacity of 20,000 gallons. The company and its subsidiaries produce 75,000,000 gallons of gasoline products annually.

The company owns oil leases covering 75,800 acres of oil lands in Oklahoma, Kansas, Arkansas, Colorado, Texas and Louisiana, 10,600 acres of which are developed and on which are located 525 producing wells. Present daily production is approximately 10,000 barrels. The company has its own pipe lines and gathering pipe-line system, totaling 322 miles, and gathers and pipes all of the crude oil which it refines. It also owns 631 tank cars and has under a favorable five-year lease 250 additional tank cars, practically all of eight to ten thousand gallon capacity.

Through subsidiaries, the company has retail distributing facilities through which are marketed annually approximately 50,000,000 gallons of gasoline, 8,000,000 gallons of kerosene, 4,000,000 gallons of domestic heating oil, 2,000,000 gallons of lubricating oils—largely high grade motor oils—and 1,000,000 gallons of fuel and miscellaneous oils. This retail distributing business is increasing at the rate of over 10 per cent annually. The principal distributing territory includes Illinois, Indiana, Minnesota, Wisconsin, Iowa, Nebraska, Oklahoma, Arkansas and North and South Dakota, in which are located 248 bulk stations and 180 service stations.

Capitalization
(Giving effect to present financing)

	Outstanding with the Public
Funded Debt:	
Two-Year 6% Gold Notes, due April 15, 1928 (this issue)	$ 7,500,000
First Mortgage 6% Sinking Fund Gold Bonds, due 1929 (closed issue)	5,142,200*
Subsidiary distributing companies' bonds and notes	1,701,084**
Stocks:	
Participating Cumulative 7% Preferred Stock	$14,000,000
Common Stock, without par value or of nominal par value	160,000 Shares

*Original issue $15,000,000, of which $9,857,800 have been retired by sinking fund operations leaving outstanding $5,142,200 to be retired, by maturity, through further sinking fund operations. The June 1, 1926 sinking fund will retire approximately $806,000 Bonds.

** Principally participating certificates, to be liquidated on percentage of sales of products.

Earnings
(of Shaffer Oil and Refining Company and Subsidiaries)

For 12 Months Ended February 28, 1926:	
Gross Earnings	$16,266,733
Operating Expenses, Maintenance and all Taxes	11,426,874
Net Operating Earnings available for Interest, Depletion and Depreciation, etc.	$ 4,839,859
Annual interest requirements on total funded debt, including the present issue of $7,500,000 Two-Year 6% Gold Notes, due 1928	$ 873,077

The above net operating earnings of $4,839,859 were over 5.5 times the annual interest requirements on the total outstanding funded debt including this issue of Two-Year 6% Gold Notes, and such earnings, after deduction for Depletion and Depreciation, were over 4 times such annual interest requirements.

Purpose of Issue: The proceeds from the sale of this issue of $7,500,000 Two-Year 6% Gold Notes will be used to reimburse the company for expenditures heretofore made for additions and extensions to the properties and for the retirement of funded debt and also to redeem $207,900 8% Convertible Gold Notes, due May 1, 1941, of the company, at present outstanding.

Price 99½ and interest to yield over 6.25%

Restrictions of Issue: These Notes will be direct obligations of Shaffer Oil and Refining Company and will be issued under a Trust Agreement which will provide, among other things, (1) that no additional mortgage, except purchase-money mortgages and mortgages outstanding on property hereafter acquired, shall be placed upon the property of the company, so long as any of these notes shall remain outstanding, and (2) that no additional funded debt of the company shall be created unless the combined net operating earnings, as defined in the Trust Agreement, of the company and its subsidiaries, after deduction for depletion and depreciation, for a period of twelve consecutive months shall have been at least three times the annual interest requirements on the total funded debt of the company and its subsidiaries outstanding at the time of

the creation of such additional debt, including the additional debt about to be created, all as provided in the Trust Agreement.

Financial Condition: The balance sheet of the company, as of February 28, 1926, after giving effect to the sale of the $7,500,000 Two-Year 6% Gold Notes, shows a ratio of Current Assets in excess of Current Liabilities of over two to one.

The properties of the company and subsidiaries are valued in excess of $35,000,000, which valuation, after deduction of mortgage debt, shows an equivalent of approximately $4,000 for each $1,000 Note of the present issue.

General: Standard Gas and Electric Company controls Shaffer Oil and Refining Company through ownership of preferred and common stock and will own, on completion of the present financing, 65% of the company's Preferred Stock and 98% of its Common Stock. The operations of the company are under the direction of men of long experience in the oil industry.

We offer these notes when, as and if issued and received by us and approved by our counsel. All legal details will be subject to the approval of Messrs. Roberts and Montgomery, of Philadelphia, for the bankers, and Messrs. Cummins, Roemer and Flynn, of Chicago, for the company.

It is expected that temporary or definitive notes will be available for delivery on or about April 29, 1926.

The statements contained in this circular, while not guaranteed, are based upon information which we believe to be accurate.

April 14, 1926.

Shaffer Oil and Refining Company
and Subsidiaries

Condensed General Balance Sheet at February 28, 1926
(Giving effect to present financing)

Assets

Real Estate, Oil and Gas Leases, Oil Wells and Equipment, Pipe Lines, Tank Cars, Refineries, Distributing Stations and Facilities, etc.....	$32,727,736.36
Unamortized Debt Discount and Expense.....	2,178,501.22

Investments in and Advances to Allied Interests.		491,469.66
Other Investments		293,337.17
Prepaid Accounts and Deferred Charges.....		131,159.02
Current Assets:		
Cash .....$	697,742.54	
Cash on Deposit for Bond and Note Interest, etc.....	145,433.73	
Accounts and Notes Receivable —Net	1,587,349.91	
Inventories	4,758,928.79	7,189,454.97
Total		$43,011,658.40

Liabilities

First Mortgage Convertible 6% Sinking Fund Gold Bonds, due 1929 .....$		5,142,200.00
Two Year 6% Gold Notes, due 1928 (this issue).		7,500,000.00
Subsidiary Distributing Companies' Bonds and Notes		1,701,083.77
Participating Cumulative 7% Preferred Capital Stock		14,000,000.00
Current Liabilities:		
Notes Payable $1,201,499.99		
Accounts Payable	1,716,375.67	
Accrued for Interest and Taxes.	197,117.46	3,114,993.12
Retirement Reserve (Depreciation and Depletion)		3,314,084.24
Special Reserve for Reduction of Property Purchased for Stock		5,040,000.00
Surplus (160,000 shares of Common Capital Stock without par value or of nominal par value)		3,199,297.27
Total		$43,011,658.40

Exhibit 7 of Stipulation.

Items Comprising Indebtedness of Deep Rock Oil Corporation (formerly Shaffer Oil & Refining Company) to Standard Gas and Electric Company which were Liquidated by issuance of Common Stock

(Transactions recorded April 12, 1928 in connection with the issuance of $10,000,000 6% Convertible Gold Notes due March 1, 1933.)

Open account balance—February 24, 1928	$ 6,836,195.85
Promissory note, due December 31, 1931	4,250,000.00
Total	$11,086,195.85
Of the above amount Standard Gas and Electric Company received 221,600 shares Common Stock at $50 a share, aggregating,	11,080,000.00
leaving balance due Standard Gas and Electric Company of,	$ 6,195.85
Standard Gas and Electric Company then purchased 848 shares of Common Stock at $50 a share for which credit was given to Shaffer Oil & Refining Company of,	42,400.00
therefore, in the completion of this transaction Standard Gas and Electric Company owed on open account to Shaffer Oil & Refining company,	$ 36,204.15

The above transactions were recorded as of April 12, 1928, which was the date of the sale of the $10,000,000 6% Convertible Gold Notes due March 1, 1933 and as the Notes were dated March 1, 1928 the Common Stock transactions between Standard Gas and Electric Company and Shaffer Oil & Refining Company had to be made as of a date prior thereto, the closest date that could be used on which complete information was available was February 24, 1928. The original plan as outlined was dated February 27, 1928.

Summarizing the above, Standard Gas and Electric Company received Common Stock of Shaffer Oil & Refining Company as follows:

221,600 shares to apply on open account due Standard Gas and Electric Company February 24, 1928,	$11,080,000.00
848 shares purchased at $50 a share to round out number of shares outstanding to a figure of 580,000 shares	42,400.00
Total	$11,122,400.00

5-8-34

Exhibit 8 of Stipulation.

Deep Rock Oil Corporation.

Directors' Meeting—March 9, 1928. Dividend of 1¾% on preferred capital stock for quarter ending March 31, 1928. The following Directors were present:

J. J. O'Brien
H. C. Cummins
R. J. Graf
R. G. Hunt
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
O. G. Corns

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
Richard K. Huey
W. E. Moody
F. W. Stehr

Directors' Meeting—June 14, 1928. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending June 30, 1928. The following Directors were present:

J. J. O'Brien
R. J. Graf
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. G. Hunt
O. G. Corns
H. C. Cummins
B. L. Majewski

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
Richard K. Huey
W. E. Moody
F. W. Stehr

Directors' Meeting—September 12, 1928. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumula-

tive for quarter ending September 30, 1928. The following Directors were present:

J. J. O'Brien
R. J. Graf
W. R. Francisco
L. B. Riddle
John L. Gray
H. C. Cummins
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
F. W. Stehr
R. G. Hunt
O. G. Corns

Absent:

Richard K. Huey
W. E. Moody

Directors' Meeting—December 13, 1928. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending December 31, 1928. The following Directors were present:

J. J. O'Brien
R. J. Graf
H. C. Cummins
J. H. Briggs
M. A. Morrison
F. W. Stehr
R. G. Hunt
O. G. Corns

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
B. L. Majewski
Richard K. Huey
W. E. Moody
B. W. Lynch

Directors' Meeting—December 31, 1928. Declared dividend of $1.50 per share on Common Stock for twelve months ending December 31, 1928. The following Directors were present:

J. J. O'Brien
H. C. Cummins
R. J. Graf
J. H. Briggs
M. A. Morrison
B. W. Lynch
O. G. Corns
B. L. Majewski

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
Richard K. Huey
W. E. Moody
F. W. Stehr
R. G. Hunt

Directors' Meeting—March 9, 1929. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for

quarter ending March 31, 1929. The following Directors were present:

J. J. O'Brien	M. A. Morrison
H. C. Cummins	B. W. Lynch
R. J. Graf	R. G. Hunt
O. G. Corns	B. L. Majewski
J. H. Briggs	

Absent:

John L. Gray	Richard K. Huey
W. R. Francisco	W. E. Moody
L. B. Riddle	F. W. Stehr

Directors' Meeting—June 12, 1929. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending June 29, 1929. The following Directors were present:

J. J. O'Brien	B. W. Lynch
R. J. Graf	H. C. Cummins
J. H. Briggs	John L. Gray
M. A. Morrison	B. L. Majewski

Absent:

O. G. Corns	Richard K. Huey
R. G. Hunt	W. E. Moody
W. R. Francisco	F. W. Stehr
L. B. Riddle	

Directors' Meeting—September 5, 1929. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending September 30, 1929. The following Directors were present:

J. J. O'Brien	J. H. Briggs
H. C. Cummins	M. A. Morrison
John L. Gray	B. W. Lynch
W. R. Francisco	W. E. Moody
L. B. Riddle	O. G. Corns
B. L. Majewski	

Absent:

R. J. Graf	F. W. Stehr
R. K. Huey	R. G. Hunt

Directors' Meeting—December 4, 1929. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for

quarter ending December 31, 1929. The following Directors were present:

J. J. O'Brien
R. J. Graf
H. C. Cummins
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. G. Hunt
O. G. Corns

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
R. K. Huey
W. E. Moody
F. W. Stehr

Directors' Meeting—February 24, 1930. Declared dividend of $1.75 on Common Stock for year ending December 31, 1929. The following Directors were present:

J. J. O'Brien
R. J. Graf
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. G. Hunt
O. G. Corns
H. C. Cummins

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
B. L. Majewski
R. K. Huey
W. E. Moody
F. W. Stehr

Directors' Meeting—March 19, 1930. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending March 31, 1930. The following Directors were present:

J. J. O'Brien
H. C. Cummins
R. J. Graf
B. L. Majewski
J. H. Briggs
B. W. Lynch
R. G. Hunt
O. G. Corns

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
M. A. Morrison
R. K. Huey
W. E. Moody
F. W. Stehr

Directors' Meeting—June 11, 1930. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for

quarter ending June 30, 1930. The following Directors were present:

J. J. O'Brien	M. A. Morrison
H. C. Cummins	B. W. Lynch
R. J. Graf	R. G. Hunt
B. L. Majewski	O. G. Corns
J. H. Briggs	

Absent:

John L. Gray	R. K. Huey
W. R. Francisco	W. E. Moody
L. B. Riddle	F. W. Stehr

Directors' Meeting—September 9, 1930. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending September 30, 1930. The following Directors were present:

J. J. O'Brien	J. H. Briggs
John L. Gray	M. A. Morrison
H. C. Cummins	B. W. Lynch
R. J. Graf	R. G. Hunt
L. B. Riddle	O. G. Corns
B. L. Majewski	

Absent:

W. R. Francisco	W. E. Moody
R. K. Huey	F. W. Stehr

Directors' Meeting—December 12, 1930. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending December 31, 1930. The following Directors were present:

J. J. O'Brien	H. C. Cummins
R. J. Graf	R. G. Hunt
John L. Gray	L. B. Riddle
B. W. Lynch	B. L. Majewski
J. H. Briggs	W. R. Francisco
M. A. Morrison	W. E. Moody
O. G. Corns	

Absent:

R. K. Huey	F. W. Stehr

*Declaration of Common Stock Dividend is designated by an asterisk preceding the date of the Directors' Meeting. At

the other meetings listed, dividends were declared on the preferred stock.

Exhibit 9 of Stipulation.

(Copy)

Western Union Telegram

"Chicago, Ill., December 10, 1925.

W. R. Francisco,
Treasurer, Shaffer Oil & Refining Co., Tulsa.

In accordance with conversation your recent visit take into October operating Expense Seventy-Five Thousand Dollars as accrual for lease rentals this same amount will be taken into November and December operating expenses Complete details will be sent you in the next few days.

B. F. BRAHENEY."

Exhibit 10 of Stipulation.

(Letterhead of Standard Gas and Electric Company.)

May 28, 1932.

P. M. M. & Co.,
Deep Rock Oil Corporation, 155 N. Clark Street, Chicago, Illinois.

Gentlemen: There is owing by you to us, an open account, the sum of $8,728,787.05. We understand that this represents all, or substantially all, of your indebtedness other than expenses incurred for current operations, except $10,000,000 principal amount of your Six Per Cent Convertible Gold Notes, due March 1, 1933, issued under a Trust Agreement, dated March 1, 1928, between you and Union Trust Company (to which First Union Trust and Savings Bank is successor in trust), as Trustee.

We also understand that you are endeavoring to procure the extension of the maturity of these notes by the holders thereof from March 1, 1933, to March 1, 1937, and that the holders of approximately $4,600,000 principal amount of the notes have indicated their willingness to extend the maturity of these notes as aforesaid and have deposited, or are about to deposit, their notes with said First Union Trust and Savings Bank as Depositary, pursuant to the terms of an extension Agreement dated April 30, 1932.

In view of the benefits which we believe will accrue to us through the improved financial position of your Company which should result from such extension, we agree with you that we will not demand payment of all, or any part of, the aforesaid sum of $8,728,787.05 due to us from you or bring any suit or action against you on account of the non-payment by you of any part of said sum or of the interest due or to become due thereon, prior to March 1, 1937, or, in the alternative, to such date earlier than March 1, 1937, as the principal of the outstanding Six Per Cent Convertible Gold Notes may be declared by said Trustee to be due and payable under the terms of said Trust Agreement or of such Extension Agreement or said Trustee may bring an action against you for the purpose of collecting the principal of any of said notes; provided, however, that nothing herein contained shall be deemed in any manner to accelerate the operation or applicability of any pertinent statute of limitations relating to any action by us upon said indebtedness or any part thereof.

It is understood by us that none of said Six Per Cent Convertible Gold Notes shall be retired by you prior to their maturity unless at the same time you shall pay upon your indebtedness to us a sum equal to the amount expended by you in the retirement of such notes.

We also agree that we shall not request you to mortgage or pledge any of your assets to secure the payment of any of your present indebtedness to us unless all of your Six Per Cent Convertible Gold Notes at the time outstanding shall be secured by such mortgage or pledge, equally and ratably with such indebtedness to us.

Very truly yours,
STANDARD GAS AND ELECTRIC COMPANY,
By R. J. GRAF, First Vice-President.

Exhibit 11 of Stipulation.

P. M. M. & Co.

Standard Gas and Electric Company, 231 South La Salle Street.

Chicago, Ill., December 14, 1932.

First Union Trust and Savings Bank, 38 S. Dearborn Street, Chicago, Illinois.

Gentlemen: There is owing by Deep Rock Oil Corporation

(formerly named "Shaffer Oil and Refining Company) and hereinafter referred to as "the Corporation" to the undersigned, Standard Gas and Electric Company, on open account approximately $9,350,000. The undersigned understands that this represents all, or substantially all, of the indebtedness of the Corporation other than expenses incurred for current operations, except $10,000,000 principal amount of its Six Per Cent Convertible Gold Notes due March 1, 1933, issued under a Trust Agreement dated March 1, 1928, between the Corporation and Union Trust Company (to which you are successor in trust), as Trustee.

The undersigned also understands that the Corporation is endeavoring to procure the extension of the maturity of these Notes by the holders thereof from March 1, 1933, to March 1, 1937, and that the holders of approximately $7,350,000 principal amount of the Notes have deposited their Notes with you, as Depositary, pursuant to the terms of an Extension Agreement dated April 30, 1932, and now hold notes bearing a legend to the effect that they have consented to the extension of the maturity to March 1, 1937, and that their notes are subject to the terms of the Agreement.

In consideration of the deposit of Notes issued under the aforesaid Trust Agreement and the consent of the holders of the Notes so deposited to the extension of the maturity thereof to March 1, 1937, all as provided in said Extension Agreement, the undersigned hereby agrees with you, as Trustee under the aforesaid Trust Agreement, that the undersigned will not accept or receive payment of, or on account of, the aforesaid indebtedness of approximately $9,350,000 from the Corporation to the undersigned except upon either of the following conditions, to-wit:

(a) That at or prior to the time of such acceptance or receipt of payment by the undersigned, there be deposited with you, as such Trustee, for the purpose of the payment and/or redemption of Notes issued under the aforesaid Trust Agreement, a sum equal to at least 1000/935 of the amount so accepted or received by the undersigned from the Corporation; or, in the alternative.

(b) That at or prior to the time of such acceptance or receipt of payment by the undersigned, there be deposited with you, as such Trustee, a certificate by the Corporation executed

in its behalf by its President or one of its Vice-Presidents, stating that there has been applied, by or for the account of the Corporation, to the purchase or retirement by the Corporation of Notes issued under the aforesaid Trust Agreement, a sum equal to at least 1000/935 of the amount so accepted or received by the undersigned from the Corporation; and that, at or prior to the time of the filing of such certificate with you, the Notes so purchased or retired be deposited with you, as such Trustee, cancelled or with authority to you to cancel said Notes.

First U. T. & S. Bk. December 14, 1932. #2

The undersigned also agrees that it will not request the Corporation to mortgage or pledge any of its assets to secure the payment of any of its present indebtedness to the undersigned unless all of the Six Per Cent Convertible Gold Notes of the Corporation at the time outstanding shall be secured by such mortgage or pledge equally and ratably with such indebtedness to the undersigned.

The agreements hereinbefore made by the undersigned shall be in effect until such time as all of said Notes at the time outstanding shall have been paid or redeemed or payment or redemption thereof shall have been provided for in accordance with the provisions of the aforesaid Trust Agreement and of the aforesaid Extension Agreement, or, in the alternative, until such time as the principal of all of said Notes at the time outstanding shall have become due and payable.

Very truly yours,

STANDARD GAS AND ELECTRIC COMPANY,
By ROBERT J. GRAF,
First Vice-President.

Receipt Is hereby acknowledged of the letter of which the foregoing is a copy. December 14, 1932.

FIRST UNION TRUST AND SAVINGS BANK.
By ROBERT L. GRINNELL,
Corporate Trust Officer.

Exhibit 11-A of Stipulation.

March 4, 1933.

To the Holders of the 6% Convertible Gold Notes, due March 1, 1933, and the 7% Convertible Gold Notes, due March 1, 1937, of Shaffer Oil and Refining Company (Now Deep Rock Oil Corporation):

On March 2, 1933, the United States District Court for the Northern District of Oklahoma appointed Receivers for the Deep Rock Oil Corporation.

Action for the appointment of receivers was taken despite the fact that holders of more than $7,800,000 principal amount of the $10,000,000 of 6% Notes, due March 1, 1933, had agreed to an extension to March 1, 1937, and that Standard Gas and Electric Company had previously agreed, in effect, to accept payment of indebtedness to it only equally and ratably with the retirement of Convertible Gold Notes.

On February 28th last, the Corporation addressed a communication to the holders of unextended Notes advising them that funds had been deposited for the payment of interest due March 1, 1933, on the entire issue of $10,000,000 of Notes but that funds were not available for the payment of the principal of the Notes not extended.

A Protective Committee which will include representatives of independent banking interests will, with the cooperation of the undersigned, be formed immediately for the protection of the Noteholders.

Definite advice as to the formation of this Committee and its recommendations will be sent to you as quickly as possible.

H. M. BYLLESBY AND COMPANY,
JANNEY & CO.,
CENTRAL REPUBLIC COMPANY.

Exhibit 12 of Stipulation.

Byllesby Engineering and Management Corporation.
Officers and Directors.
(As taken from the minute books.)

Directors 1919	Officers 1919
J. R. Clerkin	Pres., M. A. Morrison

M. A. Morrison
B. W. Lynch
J. H. Briggs
J. J. Madden
Herbert List
F. C. Gordon
H. C. Cummins
C. H. O'Reilly

V. P., H. C. Cummins
V. P., F. C. Gordon
Secy., Herbert List
Ast. Sec., J. J. Madden
Ast. Sec.,P. A. Lehmkuhl
Treas., B. W. Lynch
Ast. Tr., L. M. Sage

Directors 1920	Officers 1920
H. M. Byllesby	Pres., H. M. Byllesby
H. C. Cummins	V. P., Arthur S. Huey
A. S. Cummins	" Otto E. Osthoff
R. J. Graf	" J. J. O'Brien
Geo. H. Harries	" Geo. H. Harries
Arthur S. Huey	" R. J. Graf
M. A. Morrison	Treas., J. J. O'Brien
J. J. O'Brien	Ast. Tr., J. J. Madden
Otto E. Osthoff	" W. H. Clarke
B. W. Lynch	" B. W. Lynch
	" M. A. Morrison
	" C. C. Levis
	" R. L. Clark
	" J. H. Briggs
	Secy., R. J. Graf
	Ast. Sec., M. A. Morrison
	" C. C. Levis
	" J. H. Briggs
	" R. L. Clark
	" B. W. Lynch
	" W. H. Clarke
	" J. J. Madden

Directors 1921	Officers 1921
H. M. Byllesby	Pres., H. M. Byllesby
H. C. Cummins	V. P., Arthur S. Huey
A. S. Cummins	" Otto E. Osthoff
R. J. Graf	" J. J. O'Brien
Geo. H. Harries	" Geo. H. Harries
Arthur S. Huey	" R. J. Graf
M. A. Morrison	Ast. Tr., J. J. Madden
J. J. O'Brien	Treas., J. J. O'Brien

Otto E. Osthoff
B. W. Lynch

" B. W. Lynch
" M. A. Morrison
" C. C. Levis
" J. H. Briggs
Secy., R. J. Graf
Ast. Sec., M. A. Morrison
" C. C. Levis
" J. H. Briggs
" B. W. Lynch
" J. J. Madden

Directors
1922

H. M. Byllesby
H. C. Cummins
A. S. Cummins
R. J. Graf
Geo. H. Harries
Arthur S. Huey
M. A. Morrison
J. J. O'Brien
Otto E. Osthoff
B. W. Lynch

Officers
1922

Pres., H. M. Byllesby
V. P., Arthur S. Huey
" Otto E. Osthoff
" J. J. O'Brien
" Geo. H. Harries
" R. J. Graf
Treas., J. J. O'Brien
Ast. Tr., J. J. Madden
" B. W. Lynch
" M. A. Morrison
" C. C. Levis
" J. H. Briggs
" Wm. G. Pohl
" Herbert List
Secy., Theo. K. Jackson
Ast. Sec., M. A. Morrison
" C. C. Levis
" J. H. Briggs
" B. W. Lynch
" J. J. Madden
" Wm. G. Pohl
" Herbert List

Directors
1923

H. M. Byllesby
H. C. Cummins
A. S. Cummins
R. J. Graf
Geo. H. Harries
Arthur S. Huey

Officers
1923

Pres., H. M. Byllesby
V. P., J. J. O'Brien
" Geo. H. Harries
" R. J. Graf
" Halford Erickson
" Francis C. Shenehon

M. A. Morrison	" M. A. Morrison
J. J. O'Brien	" B. W. Lynch
B. W. Lynch	" R. G. Hunt
Francis C. Shenehon	Treas., J. J. O'Brien
Halford Erickson	Ast. Tr., J. J. Madden
	" B. W. Lynch
	" M. A. Morrison
	" C. C. Levis
	" J. H. Briggs
	" Wm. G. Pohl
	" Herbert List
	Secy., M. A. Morrison
	Ast. Sec., Theo. K. Jackson
	" C. C. Levis
	" J. H. Briggs
	" Wm. G. Pohl
	" Herbert List
	" J. J. Madden

Directors 1924	Officers 1924
J. H. Briggs	Chairman of the Board,
H. C. Cummins	Arthur S. Huey
A. S. Cummins	Pres., J. J. O'Brien
R. J. Graf	1st V. P., R. J. Graf
Geo. H. Harries	V. P., Geo. H. Harries
Arthur S. Huey	" Halford Erickson
M. A. Morrison	" H. W. Fuller
J. J. O'Brien	" M. A. Morrison
H. W. *Fullder*	" B. W. Lynch
B. W. Lynch	" R. G. Hunt
Halford Erickson	Treas., R. J. Graf
	Ast. Tr., J. J. Madden
	" B. W. Lynch
	" C. C. Levis
	" J. H. Briggs
	" Wm. G. Pohl
	" Herbert List
	" C. H. O'Reilly
	Secy., M. A. Morrison
	Ast. Sec., Theo. K. Jackson
	" C. C. Levis
	" J. H. Briggs

" Wm. G. Pohl
" Herbert List
" J. J. Madden
" C. H. O'Reilly

Directors
1925

J. H. Briggs
H. C. Cummins
A. S. Cummins
R. J. Graf
Geo. H. Harries
M. A. Morrison
J. J. O'Brien
H. W. Fuller
B. W. Lynch
Halford Erickson
R. G. Hunt
D. T. Flynn

Officers
1925

Pres., J. J. O'Brien
1st V. P., R. J. Graf
V. P., Geo. H. Harries
" Halford Erickson
" H. W. Fuller
" M. A. Morrison
" B. W. Lynch
" R. G. Hunt
Treas., R. J. Graf
Ast. Tr., J. J. Madden
" B. W. Lynch
" C. C. Levis
" J. H. Briggs
" Wm. G. Pohl
" Herbert List
" C. H. O'Reilly
Secy., M. A. Morrison
Ast. Sec., C. C. Levis
" J. H. Briggs
" Wm. G. Pohl
" Herbert List
" J. J. Madden
" C. H. O'Reilly

Directors
1926

J. H. Briggs
H. C. Cummins
A. S. Cummins
R. J. Graf
Geo. H. Harries
M. A. Morrison
J. J. O'Brien
H. W. Fuller
B. W. Lynch
Halford Erickson
R. G. Hunt

Officers
1926

Pres., J. J. O'Brien
1st V. P., R. J. Graf
V. P., Geo. H. Harries
" Halford Erickson
" H. W. Fuller
" M. A. Morrison
" B. W. Lynch
" R. G. Hunt
Treas., R. J. Graf
Ast. Tr., J. J. Madden
" B. W. Lynch

D. T. Flynn

" C. C. Levis
" J. H. Briggs
" Wm. G. Pohl
" Herbert List
" C. H. O'Reilly
Secy., M. A. Morrison
Ast. Sec., C. C. Levis
" J. H. Briggs
" Wm. G. Pohl
" Herbert List
" J. J. Madden
" C. H. O'Reilly

Directors 1927	Officers 1927
J. H. Briggs	Pres., J. J. O'Brien
H. C. Cummins	1st V. P., R. J. Graf
A. S. Cummins	V. P., Geo. H. Harries
R. J. Graf	" Halford Erickson
Geo. H. Harries	" H. W. Fuller
M. A. Morrison	" M. A. Morrison
J. J. O'Brien	" B. W. Lynch
H. W. Fuller	" R. G. Hunt
B. W. Lynch	Treas., R. J. Graf
Halford Erickson	Ast. Tr., J. J. Madden
R. G. Hunt	" B. W. Lynch
D. T. Flynn	" C. C. Levis
	" J. H. Briggs
	" Wm. G. Pohl
	" Herbert List
	" C. H. O'Reilly
	Secy., M. A. Morrison
	Ast. Sec., C. C. Levis
	" J. H. Briggs
	" Wm. G. Pohl
	" Herbert List
	" J. J. Madden
	" C. H. O'Reilly

Directors 1928	Officers 1928
J. H. Briggs	Pres., J. J. O'Brien
H. C. Cummins	1st V. P., R. J. Graf
A. S. Cummins	V. P., Geo. H. Harries

R. J. Graf
Geo. H. Harries
M. A. Morrison
J. J. O'Brien
H. W. Fuller
B. W. Lynch
Halford Erickson
R. G. Hunt
D. T. Flynn

" Halford Erickson
" H. W. Fuller
" M. A. Morrison
" B. W. Lynch
" R. G. Hunt
" W. H. Hodge
Treas., R. J. Graf
Ast. Tr., J. J. Madden
" B. W. Lynch
" C. C. Levis
" J. H. Briggs
" Wm. G. Pohl
" Herbert List
" C. H. O'Reilly
Secy., M. A. Morrison
Ast. Sec., C. C. Levis
" J. H. Briggs
" Wm. G. Pohl
" Herbert List
" J. J. Madden
" C. H. O'Reilly

Directors
1929

J. H. Briggs
H. C. Cummins
A. S. Cummins
R. J. Graf
Geo. H. Harries
M. A. Morrison
J. J. O'Brien
H. W. Fuller
B. W. Lynch
Halford Erickson
R. G. Hunt
D. T. Flynn

Officers
1929

Pres., J. J. O'Brien
1st V. P., R. J. Graf
V. P., Geo. H. Harries
" Halford Erickson
" H. W. Fuller
" M. A. Morrison
" B. W. Lynch
" R. G. Hunt
" W. H. Hodge
" Wm. J. Hagenah
Treas., R. J. Graf
Ast. Tr., J. J. Madden
" B. W. Lynch
" C. C. Levis
" J. H. Briggs
" Wm. G. Pohl
" Herbert List
" C. H. O'Reilly
" W. J. Maloney

" P. A. Lehmkuhl
" J. A. Chilleen
Secy., M. A. Morrison
Ast. Sec., C. C. Levis
" J. H. Briggs
" Wm. G. Pohl
" Herbert List
" J. J. Madden
" C. H. O'Reilly
" W. J. Maloney
" P. A. Lehmkuhl
" J. A. Chilleen

Directors 1930	Officers 1930
J. H. Briggs	Pres., J. J. O'Brien
H. C. Cummins	1st V. P., R. J. Graf
A. S. Cummins	V. P., Halford Erickson
R. J. Graf	" H. W. Fuller
M. A. Morrison	" M. A. Morrison
J. J. O'Brien	" B. W. Lynch
H. W. Fuller	" R. G. Hunt
B. W. Lynch	" W. H. Hodge
Halford Erickson	" Wm. J. Hagenah
R. G. Hunt	" B. F. Braheney
Wm. G. Pohl	Treas., R. J. Graf
J. J. Madden	Asst. Tr., J. J. Madden
	" C. C. Levis
	" Wm. G. Pohl
	" Herbert List
	" P. A. Lehmkuhl
	" J. A. Chilleen
	Secy., M. A. Morrison
	Ast. Sec., C. C. Levis
	" J. H. Briggs
	" Wm. G. Pohl
	" Herbert List
	" J. J. Madden
	" P. A. Lehmkuhl
	" J. A. Chilleen

Directors 1931	Officers 1931
J. H. Briggs	Pres., J. J. O'Brien

H. C. Cummins
A. S. Cummins
R. J. Graf
M. A. Morrison
J. J. O'Brien
H. W. Fuller
B. W. Lynch
Halford Erickson
R. G. Hunt
Wm. G. Pohl
J. J. Madden

1st V. P., R. J. Graf
V. P., Halford Erickson
" H. W. Fuller
" M. A. Morrison
" B. W. Lynch
" R. G. Hunt
" W. H. Hodge
" Wm. J. Hagenah
" B. F. Braheney
Treas., R. J. Graf
Ast. Tr., J. J. Madden
" C. C. Levis
" Wm. G. Pohl
" Herbert List
" P. A. Lehmkuhl
" J. A. Chilleen
Secy., M. A. Morrison
Ast. Sec., C. C. Levis
" J. H. Briggs
" Wm. G. Pohl
" Herbert List
" J. J. Madden
" P. A. Lehmkuhl
" J. A. Chilleen

Directors
1932

J. H. Briggs
A. S. Cummins
H. C. Cummins
H. W. Fuller
R. J. Graf
Wm. J. Hagenah
R. G. Hunt
B. W. Lynch
J. J. Madden
M. A. Morrison
J. J. O'Brien
Wm. G. Pohl

Officers
1932

Pres., J. J. O'Brien
1st V. P., R. J. Graf
V. P., Halford Erickson
" H. W. Fuller
" M. A. Morrison
" B. W. Lynch
" R. G. Hunt
" W. H. Hodge
" Wm. J. Hagenah
" B. F. Braheney
" H. C. Cummins
Treas., R. J. Graf
Ast. Tr., J. J. Madden
" C. C. Levis
" Wm. G. Pohl

" Herbert List
" P. A. Lehmkuhl
" J. A. Chilleen
Secy., M. A. Morrison
Ast. Sec., C. C. Levis
" J. H. Briggs
" Wm. G. Pohl
" Herbert List
" J. J. Madden
" P. A. Lehmkuhl
" J. A. Chilleen

Directors 1933	Officers 1933
J. H. Briggs	Pres., J. J. O'Brien
A. S. Cummins	1st V. P., R. J. Graf
H. C. Cummins	V. P., Halford Erickson
H. W. Fuller	" H. W. Fuller
R. J. Graf	" M. A. Morrison
Wm. J. Hagenah	" B. W. Lynch
R. G. Hunt	" R. G. Hunt
B. W. Lynch	" W. H. Hodge
J. J. Madden	" Wm. J. Hagenah
M. A. Morrison	" B. F. Braheney
J. J. O'Brien	" H. C. Cummins
Wm. G. Pohl	Treas., R. J. Graf
	Ast. Tr., J. J. Madden
	" C. C. Levis
	" Wm. G. Pohl
	" Herbert List
	" P. A. Lehmkuhl
	" J. A. Chilleen
	Secy., M. A. Morrison
	Ast. Sec., C. C. Levis
	" J. H. Briggs
	" Wm. G. Pohl
	" Herbert List
	" J. J. Madden
	" P. A. Lehmkuhl
	" J. A. Chilleen

Exhibit 13 of Stipulation.

Directors—H. M. Byllesby and Company.
(As taken from the minute books)

1910

H. M. Byllesby
James S. Cummins
R. J. Graf
Arthur S. Huey
K. K. McLaren
Otto E. Osthoff
J. J. O'Brien

1911

H. M. Byllesby
James S. Cummins
R. J. Graf
Arthur S. Huey
K. K. McLaren
Otto E. Osthoff
J. J. O'Brien
C. E. Groesbeck
F. W. Stearns
R. E. Wilsey

1912

H. M. Byllesby
James S. Cummins
R. J. Graf
Arthur S. Huey
Otto E. Osthoff
J. J. O'Brien
C. E. Groesbeck
F. W. Stearns
R. E. Wilsey
John R. Turner

1913

H. M. Byllesby
James S. Cummins
R. J. Graf
Arthur S. Huey
Otto E. Osthoff
J. J. O'Brien
F. W. Stearns
R. E. Wilsey
John R. Turner

1914

H. M. Byllesby
Arthur S. Huey
James. S. Cummins
Otto E. Osthoff
J. J. O'Brien
R. J. Graf
F. W. Stearns
R. E. Wilsey
W. J. Maloney

1915

H. M. Byllesby
H. C. Cummins
Otto E. Osthoff
R. J. Graf
Arthur S. Huey
J. J. O'Brien
M. A. Morrison
George H. Harries
W. J. Maloney

1916-1917-1918-1919-
1920-1921-1922

H. M. Byllesby
Otto E. Osthoff
Arthur S. Huey
M. A. Morrison
H. C. Cummins
R. J. Graf
George H. Harries
J. J. O'Brien

1923

H. M. Byllesby
A. S. Cummins

Arthur S. Huey
M. A. Morrison
H. C. Cummins
R. J. Graf
George H. Harries
J. J. O'Brien

1924

H. M. Byllesby
A. S. Cummins
Arthur S. Huey
M. A. Morrison
H. C. Cummins
R. J. Graf
George H. Harries
J. J. O'Brien

1925-1926-1927-1928-1929

J. J. O'Brien
R. J. Graf
R. G. Hunt
A. S. Cummins
J. H. Briggs
B. W. Lynch
H. C. Cummins
George H. Harries
M. A. Morrison
D. T. Flynn
H. W. Fuller
John H. Roemer
Halford Erickson

1930

J. J. O'Brien
R. J. Graf
R. G. Hunt
A. S. Cummins
J. H. Briggs
B. W. Lynch
H. C. Cummins
O. G. Corns
M. A. Morrison
D. T. Flynn
Halford Erickson
H. W. Fuller
John H. Roemer

1931

J. J. O'Brien
R. J. Graf
M. A. Morrison
J. H. Briggs
O. G. Corns
A. S. Cummins
H. C. Cummins
Halford Erickson
D. T. Flynn
H. W. Fuller
R. G. Hunt
C. C. Levis
B. W. Lynch
Wm. G. Pohl

1932

J. J. O'Brien
R. J. Graf
M. A. Morrison
J. H. Briggs
O. G. Corns
A. S. Cummins
Halford Erickson
D. T. Flynn
R. G. Hunt
C. C. Levis
B. W. Lynch

1933

J. J. O'Brien
J. H. Briggs
O. G. Corns
A. S. Cummins
D. T. Flynn
R. J. Graf
Wm. G. Pohl
A. Louis Flynn
C. C. Levis
B. W. Lynch
M. A. Morrison

Exhibit 14 of Stipulation.

Directors—Standard Gas and Electric Company.

1910

Henry M. Byllesby
W. Frederick Stevens, Jr.
James S. Cummins
Isaac Milkewitch
William J. Maloney

1911

Henry M. Byllesby
W. Frederick Stevens, Jr.
James S. Cummins
Isaac Milkewitch
Warren N. Akers

1912

Henry M. Byllesby
Arthur S. Huey
James S. Cummins
O. E. Osthoff
R. E. Wilsey
J. J. O'Brien
F. W. Stearns
R. J. Graf
Samuel Insull
William J. Maloney

1913

Henry M. Byllesby
Arthur S. Huey
James S. Cummins
O. E. Osthoff
R. E. Wilsey
J. J. O'Brien
F. W. Stearns
R. J. Graf
Isaac Milkewitch
William J. Maloney

1914

Henry M. Byllesby
Arthur S. Huey
Geo. H. Harries
O. E. Osthoff
F. W. Stehr
J. J. O'Brien
E. A. Potter
R. J. Graf
W. H. Clarke
William J. Maloney

1915

Henry M. Byllesby
Arthur S. Huey
F. W. Stehr
O. E. Osthoff
J. J. O'Brien
E. A. Potter
Geo. H. Harries
R. J. Graf
W. H. Clarke
S. W. Childs
B. E. Sunny
John H. Roemer
Donald McDonald
Elmer Dover

1916

Henry M. Byllesby
O. E. Osthoff
J. J. O'Brien
B. E. Sunny
W. H. Clarke
R. J. Graf
W. R. Thompson
S. W. Childs
John H. Roemer
Elmer Dover
Arthur S. Huey
Geo. H. Harries
Donald McDonald
F. W. Stehr
D. T. Flynn

1917

Henry M. Byllesby
Arthur S. Huey
O. E. Osthoff
J. J. O'Brien
Donald McDonald
John H. Roemer
W. H. Clarke
B. E. Sunny
R. J. Graf
W. R. Thompson
Geo. H. Harries
S. W. Childs
F. W. Stehr
Elmer Dover
D. T. Flynn

1918

Henry M. Byllesby
Arthur S. Huey
O. E. Osthoff
J. J. O'Brien
Donald McDonald
John H. Roemer
W. H. Clarke
R. J. Graf
J. H. Briggs
B. W. Lynch
S. W. Childs
B. E. Sunny
F. W. Stehr
M. A. Morrison
D. T. Flynn

1919

Henry M. Byllesby
Arthur S. Huey
O. E. Osthoff
J. J. O'Brien
Donald McDonald
John H. Roemer
W. H. Clarke
R. J. Graf
B. W. Lynch
M. A. Morrison
S. W. Childs
B. E. Sunny
F. W. Stehr
J. H. Briggs
D. T. Flynn

1920

Henry M. Byllesby
J. H. Briggs
S. W. Childs
W. H. Clarke
D. T. Flynn
R. J. Graf
Arthur S. Huey
H. C. Cummins
B. W. Lynch
Donald McDonald
M. A. Morrison
J. J. O'Brien
O. E. Osthoff
John H. Roemer
F. W. Stehr
R. S. Moore
B. E. Sunny

1921

Henry M. Byllesby
J. H. Briggs
S. W. Childs
R. G. Hunt
D. T. Flynn
R. J. Graf
Arthur S. Huey
H. C. Cummins
B. W. Lynch
Donald McDonald
M. A. Morrison
J. J. O'Brien
O. E. Osthoff
John H. Roemer
F. W. Stehr
A. S. Cummins
B. E. Sunny

1922

Henry M. Byllesby
J. H. Briggs
R. G. Hunt
D. T. Flynn
R. J. Graf
Arthur S. Huey
H. C. Cummins
A. S. Cummins
B. W. Lynch
Donald McDonald
M. A. Morrison
J. J. O'Brien
O. E. Osthoff
John H. Roemer
F. W. Stehr
C. C. Levis

Directors and Officers—Standard Gas and Electric Company.

Directors 1923	Officers 1923
H. M. Byllesby	Pres., H. M Byllesby
J. H. Briggs	V. P., Arthur S. Huey
O. G. Corns	V. P., J. J. O'Brien
A. S. Cummins	V. P., George H. Harries
H. C. Cummins	V. P., B. W. Lynch
D. T. Flynn	V. P., F. C. Gordon
Robert J. Graf	V. P., E. J. McKay
Arthur S. Huey	V. P. and Asst. Sec., C. C. Levis
R. G. Hunt	Sec. & Tr., Robert J. Graf
C. C. Levis	Asst. Sec. & Asst. Tr., M. A. Morrison
B. W. Lynch	Asst. Sec. & Asst. Tr., Herbert List
Donald McDonald	Asst. Sec. & Asst. Tr., P. A. Lehmkuhl
M. A. Morrison	Asst. Sec. & Asst. Tr., William G. Pohl
J. J. O'Brien	Asst. Sec., L. M. Sage
William G. Pohl	Asst. Sec., J. J. Madden
John H. Roemer	
F. W. Stehr	

Directors 1924	Officers 1924
John J. O'Brien	Pres., John J. O'Brien
Robert J. Graf	1st V. P., Robert J. Graf
C. M. Brewer	V. P., George H. Harries
J. H. Briggs	V. P., B. W. Lynch
O. G. Corns	V. P., J. H. Briggs
A. S. Cummins	V. P., A. S. Cummins
H. C. Cummins	V. P., C. C. Levis
Halford Erickson	V. P., F. C. Gordon
D. T. Flynn	V. P., E. J. McKay
H. W. Fuller	Sec. & Tr., M. A. Morrison

George H. Harries	Asst. Sec. & Asst. Tr., Herbert List
R. G. Hunt	Asst. Sec. & Asst. Tr., P. A. Lehmkuhl
H. H. Jones	Asst. Sec. & Asst. Tr., William G. Pohl
Samuel Kahn	Asst. Sec. & Asst. Tr., C. H. O'Reilly
C. C. Levis	Asst. Sec. & Asst. Tr., J. J. Madden
B. W. Lynch	Asst. Sec., L. M. Sage
M. A. Morrison	
J. F. Owens	
R. F. Pack	
W. F. Raber	
John H. Roemer	
F. W. Stehr	
T. B. Wilson	

Directors 1925	Officers 1925
John J. O'Brien	Pres., John J. O'Brien
Robert J. Graf	1st V. P., Robert J. Graf
C. M. Brewer	V. P., George H. Harries
J. H. Briggs	V. P., B. W. Lynch
O. G. Corns	V. P., J. H. Briggs
A. S. Cummins	V. P., A. S. Cummins
H. C. Cummins	V. P., C. C. Levis
Falford Erickson	V. P., F. C. Gordon
D. T. Flynn	V. P., E. J. McKay
H. W. Fuller	Sec. & Tr., M. A. Morrison
George H. Harries	Asst. Sec. & Asst. Tr., Herbert List
R. G. Hunt	Asst. Sec. & Asst. Tr., P. A. Lehmkuhl
H. H. Jones	Asst. Sec. & Asst. Tr., William G. Pohl
Samuel Kahn	Asst. Sec. & Asst. Tr., C. H. O'Reilly
C. C. Levis	Asst. Sec. & Asst. Tr., J. J. Madden
B. W. Lynch	Asst. Sec., L. M. Sage
M. A. Morrison	
J. F. Owens	
R. F. Pack	
W. F. Raber	
John H. Roemer	
F. W. Stehr	
T. B. Wilson	

Directors 1926	Officers 1926
C. M. Brewer	Pres., John J. O'Brien
J. H. Briggs	1st V. P., Robert J. Graf

O. G. Corns
A. S. Cummins
H. C. Cummins
Halford Erickson
D. T. Flynn
H. W. Fuller
Robert J. Graf
R. G. Hunt
H. H. Jones
Samuel Kahn
C. C. Levis
B. W. Lynch
M. A. Morrison
John J. O'Brien
J. F. Owens
R. F. Pack
W. F. Raber
A. W. Robertson
John H. Roemer
F. W. Stehr
T. B. Wilson

V. P., B. W. Lynch
V. P., J. H. Briggs
V. P., Halford Erickson
V. P., H. W. Fuller
V. P., R. G. Hunt
V. P., George H. Harries
V. P., H. C. Cummins
V. P., C. C. Levis
V. P., F. C. Gordon
V. P., E. J. McKay
Sec. & Tr., M. A. Morrison
Asst. Sec. & Asst. Tr., Herbert List
Asst. Sec. & Asst. Tr., P. A. Lehmkuhl
Asst. Sec. & Asst. Tr., William G. Pohl
Asst. Sec. & Asst. Tr., C. H. O'Reilly
Asst. Sec. & Asst. Tr., J. J. Madden

Directors
1927

C. M. Brewer
J. H. Briggs
O. G. Corns
A. S. Cummins
H. C. Cummins
Halford Erickson
D. T. Flynn
H. W. Fuller
Robert J. Graf
R. G. Hunt
H. H. Jones
Samuel Kahn
C. C. Levis
B. W. Lynch
M. A. Morrison
John J. O'Brien
J. F. Owens
R. F. Pack
W. F. Raber

Officers
1927

Pres., John J. O'Brien
1st V. P., Robert J. Graf
V. P., B. W. Lynch
V. P., J. H. Briggs
V. P., Halford Erickson
V. P., H. W. Fuller
V. P., R. G. Hunt
V. P., George H. Harries
V. P., H. C. Cummins
V. P., C. C. Levis
V. P., F. C. Gordon
V. P., E. J. McKay
Sec. & Tr., M. A. Morrison
Asst. Sec. & Asst. Tr., Herbert List
Asst. Sec. & Asst. Tr., P. A. Lehmkuhl
Asst. Sec. & Asst. Tr., William G. Pohl
Asst. Sec. & Asst. Tr., C. H. O'Reilly
Asst. Sec. & Asst. Tr., J. J. Madden
Asst. Sec. & Asst. Tr., T. J. Kerr

A. W. Robertson
John H. Roemer
F. W. Stehr
T. B. Wilson

Asst. Sec. & Asst. Tr., E. Barnes
Asst. Sec., C. C. Levis

Directors
1928

C. M. Brewer
J. H. Briggs
O. G. Corns
A. S. Cummins
H. C. Cummins
Halford Erickson
D. T. Flynn
H. W. Fuller
Robert J. Graf
John L. Gray
R. G. Hunt
Samuel Kahn
C. C. Levis
B. W. Lynch
M. A. Morrison
John J. O'Brien
J. F. Owens
R. F. Pack
W. F. Raber
A. W. Robertson
John H. Roemer
F. W. Stehr
T. B. Wilson

Officers
1928

Pres., John J. O'Brien
1st V. P., Robert J. Graf
V. P., B. W. Lynch
V. P., J. H. Briggs
V. P., Halford Erickson
V. P., H. W. Fuller
V. P., R. G. Hunt
V. P., George H. Harries
V. P., H. C. Cummins
V. P., C. C. Levis
V. P., F. C. Gordon
V. P., E. J. McKay
Sec. & Tr., M. A. Morrison
Asst. Sec. & Asst. Tr., Herbert List
Asst. Sec. & Asst. Tr., P. A. Lehmkuhl
Asst. Sec. & Asst. Tr., W. G. Pohl
Asst. Sec. & Asst. Tr., C. H. O'Reilly
Asst. Sec. & Asst. Tr., W. J. Maloney
Asst. Sec. & Asst. Tr., J. J. Madden
Asst. Sec. & Asst. Tr., T. J. Kerr
Asst. Sec. & Asst. Tr., E. Barnes

Directors
1929

Arthur C. Allyn
J. H. Briggs
Victor Emanuel
Halford Erickson
C. L. Fisher
H. W. Fuller
Robert J. Graf
E. Carlton Granbery
William C. Langley
Bernard W. Lynch
M. A. Morrison

Officers
1929

Pres., John J. O'Brien
1st V. P., Robert J. Graf
V. P., Bernard W. Lynch
V. P., J. H. Briggs
V. P., Halford Erickson
V. P., H. W. Fuller
V. P., R. G. Hunt
V. P., George H. Harries
V. P., H. C. Cummins
V. P., C. C. Levis
V. P., E. J. McKay

John J. O'Brien	Sec. & Tr., M. A. Morrison
Royal E. T. Riggs	Asst. Sec. & Asst. Tr., W. G. Pohl
Moritz Rosenthal	Asst. Sec. & Asst. Tr., Herbert List
Louis H. Seagrave	Asst. Sec. & Asst. Tr., P. A. Lehmkuhl
	Asst. Sec. & Asst. Tr., C. H. O'Reilly
	Asst. Sec. & Asst. Tr., W. J Maloney
	Asst. Sec. & Asst. Tr., J. A. Chilleen
	Asst. Sec. & Asst. Tr., J. J. Madden
	Asst. Sec. & Asst. Tr., T. J. Kerr
	Asst. Sec. & Asst. Tr.,E. Barnes

Directors 1930	Officers 1930
Arthur C. Allyn	Pres., John J. O'Brien
J. H. Briggs	1st V. P., Robert J. Graf
H. C. Cummins	V. P., Bernard W. Lynch
Victor Emanuel	V. P., J. H. Briggs
Halford Erickson	V. P., Halford Erickson
C. L. Fisher	V. P., H. W. Fuller
H. W. Fuller	V. P., R. G. Hunt
Robert J. Graf	V. P., H. C. Cummins
E. Carleton Granbery	V. P., E. J. McKay
William C. Langley	Sec. & Tr., M. A. Morrison
Bernard W. Lynch	Asst. Sec. & Asst. Tr., W. G. Pohl
M. A. Morrison	Asst. Sec. & Asst. Tr., Herbert List
John J. O'Brien	Asst. Sec. & Asst. Tr., P. A. Lehmkuhl
Royal E. T. Riggs	Asst. Sec. & Asst. Tr., J. J. Madden
Louis H. Seagrave	Asst. Sec. & Asst. Tr., J. A. Chilleen

Directors 1931	Officers 1931
Arthur C. Allyn	Pres., John J. O'Brien
J. H. Briggs	1st V. P., Robert J. Graf
H. C. Cummins	V. P., Bernard W. Lynch
Victor Emanuel	V. P., J. H. Briggs
C. L. Fisher	V. P., H. W. Fuller
A. Louis Flynn	V. P., R. G. Hunt
H. W. Fuller	V. P., H. C. Cummins
Robert J. Graf	V. P., E. J. McKay
E. Carleton Granbery	Sec. & Tr., M. A. Morrison
William C. Langley	Asst. Sec. & Asst. Tr., W. G. Pohl
Bernard W. Lynch	Asst. Sec. & Asst. Tr., Herbert List
M. A. Morrison	Asst. Sec. & Asst. Tr., P. A. Lehmkuhl
John J. O'Brien	Asst. Sec. & Asst. Tr., J. J. Madden

Roy E. T. Riggs — Asst. Sec. & Asst. Tr., J. A. Chilleen
Louis H. Seagrave

Directors 1932	Officers 1932
Arthur C. Allyn	Pres., John J. O'Brien
J. H. Briggs	1st V. P., Robert J. Graf
H. C. Cummins	V. P., Bernard W. Lynch
Victor Emanuel	V. P., J. H. Briggs
C. L. Fisher	V. P., H. W. Fuller
A. Louis Flynn	V. P., R. G. Hunt
H. W. Fuller	V. P., H. C. Cummins
Robert J. Graf	V. P., E. J. McKay
E. Carleton Granbery	Sec. & Tr., M. A. Morrison
William C. Langley	Asst. Sec. & Asst. Tr., W. G. Pohl
Bernard W. Lynch	Asst. Sec. & Asst. Tr., Herbert List
M. A. Morrison	Asst. Sec. & Asst. Tr., P. A. Lehmkuhl
John J. O'Brien	Asst. Sec. & Asst. Tr., J. J. Madden
Royal E. T. Riggs	Asst. Sec. & Asst. Tr., J. A. Chilleen
Louis H. Seagrave	

Directors—Standard Gas and Electric Company.

1933

Arthur C. Allyn	William C. Langley
J. H. Briggs	Bernard W. Lynch
H. C. Cummins	M. A. Morrison
Victor Emanuel	John J. O'Brien
C. L. Fisher	Wm. G. Pohl
H. W. Fuller	Royal E. T. Riggs
Robert J. Graf	Louis H. Seagrave
E. Carlton Granbery	

Exhibit 15 of Stipulation.

Directors of Deep Rock.

1919.

At the organization meeting held June 6, 1919, the following directors were elected:

M. A. Morrison	F. C. Gordon
B. W. Lynch	H. C. Cummins
J. H. Briggs	A. S. Cummins
J. J. Madden	C. H. O'Reilly
Herbert List	J. R. Clerkin

At a meeting of the Board of Directors held July 14, 1919, the following changes were made:

Mr. J. H. Briggs tendered his resignation as Chairman of the Board and director and Mr. H. M. Byliesby was elected to succeed Mr. J. H. Briggs.

Mr. M. A. Morrison tendered his resignation as director and Mr. C. B. Shaffer was elected to succeed Mr. M. A. Morrison.

Mr. H. C. Cummins tendered his resignation as director and Mr. J. J. O'Brien was elected to succeed Mr. H. C. Cummins.

Mr. Herbert List tendered his resignation as director and Mr. R. J. Graf was elected to succeed Mr. Herbert List.

Mr. J. J. Madden tendered his resignation as director and Mr. R. L. Erb was elected to succeed Mr. J. J. Madden.

Mr. B. W. Lynch tendered his resignation as director and Mr. J. D. K. Shaffer was elected to succeed Mr. B. W. Lynch.

Mr. F. C. Gordon tendered his resignation as director and Mr. W. A. Tilden was elected to succeed Mr. F. C. Gordon.

Mr. C. H. O'Reilly tendered his resignation as director and Mr. W. W. Van Winkle was elected to succeed Mr. C. H. O'Reilly.

Mr. A. S. Cummins tendered his resignation as director and Mr. A. S. Huey was elected to succeed Mr. A. S. Cummins.

Mr. J. R. Clerkin tendered his resignation as director and Mr. Otto E. Osthoff was elected to succeed Mr. J. R. Clerkin.

1920

At a meeting of the stockholders held March 31, 1920, the following directors were elected:

H. M. Byllesby	Otto E. Osthoff
R. L. Erb	C. B. Shaffer
R. J. Graf	J. D. K. Shaffer
A. S. Huey	W. A. Tilden
J. J. O'Brien	W. W. Van Winkle

1921—January 1, 1921.

H. M. Byllesby	Otto E. Osthoff
R. L. Erb	C. B. Shaffer
R. J. Graf	J. D. K. Shaffer
A. S. Huey	W. A. Tilden
J. J. O'Brien	W. W. Van Winkle

At a meeting of the Board of Directors held March 18, 1921, the following change was made:

Mr. W. W. Van Winkle tendered his resignation as director and Mr. H. C. Cummins was elected to succeed Mr. W. W. Van Winkle.

Mr. C. B. Shaffer tendered his resignation as director and Mr. G. N. Moore was elected to succeed Mr. C. B. Shaffer.

Mr. J. D. K. Shaffer tendered his resignation as director and Mr. W. R. Thompson was elected to succeed Mr. J. D. K. Shaffer.

Mr. W. A. Tilden tendered his resignation as director and Mr. B. W. Lynch was elected to succeed Mr. W. A. Tilden.

Mr. R. L. Erb tendered his resignation as director and Mr. M. A. Morrison was elected to succeed Mr. R. L. Erb.

At a meeting of the Board of Directors held May 4, 1921, the following change was made:

Mr. F. W. Stehr was elected director of the Company.

At a meeting of the Board of Directors held June 8, 1921, the following change was made:

Mr. R. K. Huey was elected director of the Company.

At a meeting of the Board of Directors held June 29, 1921, the following change was made:

Mr. W. R. Thompson tendered his resignation as director of the Company.

1922—January 1, 1922.

G. N. Moore	M. A. Morrison
R. J. Graf	B. W. Lynch
A. S. Huey	F. W. Stehr
J. J. O'Brien	H. M. Byllesby
Otto E. Osthoff	Richard K. Huey
H. C. Cummins	

At a meeting of the stockholders held March 20, 1922, the following directors were elected:

G. N. Moore	M. A. Morrison
R. J. Graf	B. W. Lynch
A. S. Huey	F. W. Stehr
J. J. O'Brien	H. M. Byllesby
Otto E. Osthoff	Richard K. Huey
H. C. Cummins	

At a meeting of the Board of Directors held June 22, 1922, the following changes were made:

Messrs. W. R. Francisco and W. H. Cannady were elected directors of the Company.

At a meeting of the Board of Directors held December 26, 1922, the following changes were made:

Mr. Otto E. Osthoff tendered his resignation as director and Mr. J. H. Briggs was elected to succeed Mr. Otto E. Osthoff.

1923

H. M. Byllesby	J. H. Briggs
G. N. Moore	H. C. Cummins
R. J. Graf	M. A. Morrison
A. S. Huey	B. W. Lynch
J. J. O'Brien	R. K. Huey
W. R. Francisco	W. H. Cannady
F. W. Stehr	A. S. Cummins

1924

H. M. Byllesby	J. H. Briggs
G. N. Moore	A. S. Cummins
R. J. Graf	M. A. Morrison
A. S. Huey	B. W. Lynch
J. J. O'Brien	R. K. Huey
W. R. Francisco	W. H. Cannady
F. W. Stehr	H. C. Cummins

At a meeting of the Board of Directors held October 8, 1924, the following changes were made:

Mr. John L. Gray was elected a Director of the Company.

Mr. W. H. Cannady tendered his resignation as director of the Company.

1925

J. J. O'Brien	W. R. Francisco
R. J. Graf	G. N. Moore
J. L. Gray	J. H. Briggs
M. A. Morrison	B. W. Lynch
H. C. Cummins	R. K. Huey
A. S. Cummins	F. W. Stehr

At a meeting of the Board of Directors held March 9, 1925, the following changes were made:

Mr. G. N. Moore tendered his resignation as director of the

Company and Mr. L. B. Riddle was elected to succeed Mr. G. N. Moore.

Messrs. J. H. Roemer, R. G. Hunt and O. G. Corns were elected directors of the Company.

1926

J. J. O'Brien	B. W. Lynch
R. J. Graf	R. K. Huey
J. L. Gray	F. W. Stehr
M. A. Morrison	L. B. Riddle
H. C. Cummins	R. G. Hunt
A. S. Cummins	O. G. Corns
W. R. Francisco	J. H. Roemer
J. H. Briggs	

1927

J. J. O'Brien	B. W. Lynch
R. J. Graf	R. K. Huey
J. L. Gray	F. W. Stehr
M. A. Morrison	L. B. Riddle
H. C. Cummins	R. G. Hunt
A. S. Cummins	O. G. Corns
W. R. Francisco	J. H. Roemer
J. H. Briggs	

1928

J. J. O'Brien	B. W. Lynch
R. J. Graf	R. K. Huey
J. L. Gray	F. W. Stehr
M. A. Morrison	L. B. Riddle
H. C. Cummins	R. G. Hunt
A. S. Cummins	O. G. Corns
W. R. Francisco	J. H. Roemer
J. H. Briggs	

At a meeting of the Board of Directors held January 11, 1928, the following changes were made:

Mr. A. S. Cummins tendered his resignation as director of the Company and Mr. W. E. Moody was elected to succeed Mr. A. S. Cummins.

Mr. J. H. Roemer tendered his resignation as director of the Company and Mr. B. L. Majewski was elected to succeed Mr. J. H. Roemer.

At a meeting of the stockholders held March 20, 1928, the following directors were elected:

H. C. Cummins
J. L. Gray
J. J. O'Brien
R. J. Graf
W. R. Francisco
L. B. Riddle
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. K. Huey
W. E. Moody
F. W. Stehr
R. G. Hunt
O. G. Corns

1929

H.C. Cummins
J. L. Gray
J. J. O'Brien
R. J. Graf
W. R. Francisco
L. B. Riddle
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. K. Huey
W. E. Moody
F. W. Stehr
R. G. Hunt
O. G. Corns

At a meeting of the stockholders held March 20, 1929, the following directors were elected:

H. C. Cummins
J. L. Gray
J. J. O'Brien
R. J. Graf
W. R. Francisco
L. B. Riddle
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. K. Huey
W. E. Moody
F. W. Stehr
R. G. Hunt
O. G. Corns

1930

H. C. Cummins
J. L. Gray
J. J. O'Brien
R. J. Graf
W. R. Francisco
L. B. Riddle
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. K. Huey
W. E. Moody
F. W. Stehr
R. G. Hunt
O. G. Corns

At a meeting of the stockholders held March 20, 1930, the following directors were elected:

H. C. Cummins
J. L. Gray
J. J. O'Brien
R. J. Graf
W. R. Francisco
L. B. Riddle
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. K. Huey
W. E. Moody
F. W. Stehr
R. G. Hunt
O. G. Corns

1931

H. C. Cummins
J. L. Gray
J. J. O'Brien
R. J. Graf
W. R. Francisco
L. B. Riddle
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. K. Huey
W. E. Moody
F. W. Stehr
R. G. Hunt
O. G. Corns

At a meeting of the stockholders held March 20, 1931, the following directors were elected:

J. J. O'Brien
J. L. Gray
H. C. Cummins
R. J. Graf
W. R. Francisco
L. B. Riddle
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. K. Huey
W. E. Moody
W. G. Pohl
J. J. Madden
P. A. Lehmkuhl

At a meeting of the Board of Directors held March 24, 1931, Messrs. P. A. Lehmkuhl, J. J. Madden and W. G. Pohl tendered their resignations as directors of the Company.

1932

J. J. O'Brien
J. L. Gray
H. C. Cummins
R. J. Graf
W. R. Francisco
L. B. Riddle
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. K. Huey
W. E. Moody

At a meeting of the stockholders held March 21, 1932, the following directors were elected:

J. J. O'Brien	B. L. Majewski
J. L. Gray	J. H. Briggs
H. C. Cummins	M. A. Morrison
R. J. Graf	B. W. Lynch
W. R. Francisco	R. K. Huey
L. B. Riddle	W. E. Moody

1933

J. J. O'Brien	B. L. Majewski
J. L. Gray	J. H. Briggs
H. C. Cummins	M. A. Morrison
R. J. Graf	B. W. Lynch
W. R. Francisco	R. K. Huey
L. B. Riddle	W. E. Moody

At a meeting of the Board of Directors held March 4, 1933, the following changes were made:

Mr. J. L. Gray tendered his resignation as director of the Company and Mr. Wm. G. Pohl was elected to succeed Mr. J. L. Gray.

Mr. L. B. Riddle tendered his resignation as director of the Company and Mr. J. J. Madden was elected to succeed Mr. L. B. Riddle.

1934

J. J. O'Brien	J. H. Briggs
Wm. G. Pohl	M. A. Morrison
H. C. Cummins	B. W. Lynch
R. J. Graf	W. R. Francisco
J. J. Madden	R. K. Huey
B. L. Majewski	W. E. Moody

Exhibit 16 of Stipulation.

Officers of Deep Rock.

1919—June 6, 1919.

Chairman of Board.....J. H. Briggs
President.....M. A. Morrison
Vice-President.....H. C. Cummins
Vice-President.....F. C. Gordon
Secretary.....Herbert List

Assistant Secretary.....J. J. Madden
Assistant Secretary.....P. A. Lehmkuhl
Treasurer.....B. W. Lynch
Assistant Treasurer.....L. M. Sage

At a meeting of the Board of Directors held July 14, 1919, resignations of the following officers were accepted and their successors elected:

J. H. Briggs resigned as Chairman of Board; H. M. Byllesby elected to succeed him.

M. A. Morrison resigned as President; C. B. Shaffer elected to succeed him.

H. C. Cummins resigned as Vice President; J. J. O'Brien elected to succeed him.

Herbert List resigned as Secretary; R. J. Graf elected to succeed him.

J. J. Madden resigned as Assistant Secretary; C. E. Lewis elected to succeed him.

B. W. Lynch resigned as Treasurer; C. E. Lewis elected to succeed him.

L. M. Sage resigned as Assistant Treasurer; R. J. Graf elected to succeed him.

At the same meeting the following additional officers were elected:

A. S. Huey and J. K. D. Shaffer elected additional Vice-Presidents.

Herbert List elected additional Assistant Secretary.

Herbert List and P. A. Lehmkuhl elected as additional Assistant Treasurers.

At a meeting of the Board of directors held September 8, 1919, B. W. Lynch was elected as additional Assistant Treasurer.

At a meeting of the Board of Directors held December 31, 1919, Otto E. Osthoff was elected as additional Vice President.

1920—March 31, 1920.

At a meeting of the Board of Directors held March 31, 1920, the following officers were elected:

Chairman of Board.....H. M. Byllesby
President.....C. B. Shaffer

Vice-President.....A. S. Huey
Vice-President.....J. J. O'Brien
Vice-President.....J. K. D. Shaffer
Vice-President.....F. C. Gordon
Vice-President.....Otto E. Osthoff
Secretary.....R. J. Graf
Assistant Secretary.....C. E. Lewis
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Treasurer.....C. E. Lewis
Assistant Treasurer.....R. J. Graf
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch

1921

Chairman of Board.....H. M. Byllesby
President.....C. B. Shaffer
Vice-President.....A. S. Huey
Vice-President.....J. J. O'Brien
Vice-President.....J. K. D. Shaffer
Vice-President.....F. C. Gordon
Vice-President.....Otto E. Osthoff
Secretary.....R. J. Graf
Assistant Secretary.....C. E. Lewis
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Treasurer.....C. E. Lewis
Assistant Treasurer.....R. J. Graf
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch

At a meeting of the Board of Directors held March 18, 1921, resignations of the following officers were accepted and their successors elected:

C. B. Shaffer resigned as President; G. N. Moore elected to succeed him.

J. K. D. Shaffer resigned as Vice President; N. R. Thompson elected to succeed him.

C. E. Lewis resigned as Treasurer and Assistant Secretary; W. R. Francisco elected to succeed him.

At the same meeting H. C. Cummins was elected Vice President, Assistant Secretary and Assistant Treasurer.

At a meeting of the Board of Directors held March 26, 1921, B. W. Lynch was elected Assistant Secretary and M. A. Morrison was elected Assistant Secretary and Assistant Treasurer.

At a meeting of the Board of Directors held May 4, 1921, R. J. Graf resigned as Secretary and Assistant Treasurer, and H. C. Cummins was elected to succeed him as Secretary.

At a meeting of the Board of Directors held June 29, 1921, N. R. Thompson resigned as Vice President.

1922

Chairman of the Board	H. M. Byllesby
President	G. N. Moore
Vice President	A. S. Huey
Vice President	J. J. O'Brien
Vice President	F. C. Gordon
Vice President	Otto E. Osthoff
Vice President	H. C. Cummins
Secretary	H. C. Cummins
Assistant Secretary	H. C. Cummins
Assistant Secretary	B. W. Lynch
Assistant Secretary	W. R. Francisco
Assistant Secretary	M. A. Morrison
Assistant Secretary	Herbert List
Assistant Secretary	P. A. Lehmkuhl
Treasurer	W. R. Francisco
Assistant Treasurer	M. A. Morrison
Assistant Treasurer	Herbert List
Assistant Treasurer	H. C. Cummins
Assistant Treasurer	P. A. Lehmkuhl
Assistant Treasurer	B. W. Lynch

At a meeting of the Board of Directors held March 22, 1922, the following officers were elected:

President	G. N. Moore
Vice President	A. S. Huey
Vice President	J. J. O'Brien
Vice President	Otto E. Osthoff
Vice President	H. C. Cummins
Secretary	H. C. Cummins

Assistant Secretary.....W. R. Francisco
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....H. C. Cummins
Assistant Treasurer.....M. A. Morrison

At a meeting of the Board of Directors held June 22, 1922, resignations of the following officers were accepted and their successors elected:

G. N. Moore resigned as President; H. C. Cummins elected to succeed him.

H. C. Cummins resigned as Vice President, Secretary and Assistant Treasurer; W. H. Cannady was elected to succeed him as Vice President and W. R. Francisco was elected to succeed H. C. Cummins as Secretary.

W. R. Francisco resigned as Assistant Secretary; J. C. Kennedy elected to succeed him.

At the same meeting A. L. Dade, Jr., was elected Assistant Secretary and O. O. Kerr was elected Assistant Treasurer.

At a meeting of the Board of Directors held December 26, 1922, W. E. Moody and L. B. Riddle and R. J. Graf were elected Vice Presidents, and Otto E. Osthoff resigned as Vice President.

1923

Chairman of the Board.....H. M. Byllesby
President.....H. C. Cummins
Vice President.....A. S. Huey
Vice President.....W. H. Cannady
Vice President.....F. C. Gordon
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Secretary.....W. R. Francisco
Assistant Secretary.....J. C. Kennedy
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl

Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....A. L. Dade, Jr.
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....O. O. Kerr

1924

Chairman of the Board.....H. M. Byllesby
President.....H. C. Cummins
Vice President.....A. S. Huey
Vice President.....J. J. O'Brien
Vice President.....F. C. Gordon
Vice President.....R. J. Graf
Vice President.....W. H. Cannady
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Secretary.....W. R. Francisco
Assistant Secretary.....J. C. Kennedy
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....A. L. Dade, Jr.
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....O. O. Kerr

At a meeting of the Board of Directors held October 8, 1924, John L. Gray was elected Vice President and W. H. Cannady resigned as Vice President.

At a meeting of the Board of Directors held October 8, 1924, O. O. Kerr was elected Assistant Secretary and R. K. Huey was elected Assistant Secretary and Assistant Treasurer.

1925

Chairman of the Board.....H. M. Byllesby
President.....H. C. Cummins

Vice President.....John L. Gray
Vice President.....J. J. O'Brien
Vice President.....F. C. Gordon
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Secretary.....W. R. Francisco
Assistant Secretary.....J. C. Kennedy
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....O. O. Kerr
Assistant Secretary.....R. K. Huey
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....R. K. Huey
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....O. O. Kerr

At a meeting of the Board of Directors held June 17, 1925, the following officers were elected:

President.....J. J. O'Brien
Vice President.....John L. Gray
Vice President.....F. C. Gordon
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Secretary.....W. R. Francisco
Assistant Secretary.....J. C. Kennedy
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....R. K. Huey
Assistant Secretary.....O. O. Kerr
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl

Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....R. K. Huey
Assistant Treasurer.....O. O. Kerr

1926

President.....J. J. O'Brien
Vice President.....John L. Gray
Vice President.....F. C. Gordon
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Secretary.....W. R. Francisco
Assistant Secretary.....J. C. Kennedy
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....R. K. Huey
Assistant Secretary.....O. O. Kerr
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....R. K. Huey
Assistant Treasurer.....O. O. Kerr

At a meeting of the Board of Directors held April 21, 1926, the following officers were elected:

President.....J. J. O'Brien
Vice President.....J. L. Gray
Vice President.....F. C. Gordon
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Vice President.....E. J. McKay
Secretary.....W. R. Francisco
Assistant Secretary.....J. C. Kennedy
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch

Assistant Secretary.....M. A. Morrison
Assistant Secretary.....C. H. O'Reilly
Assistant Secretary.....Wm. G. Pohl
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....R. K. Huey
Assistant Secretary.....O. O. Kerr
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....C. H. O'Reilly
Assistant Treasurer.....Wm. G. Pohl
Assistant Treasurer.....O. O. Kerr
Assistant Treasurer.....R. K. Huey

At a meeting of the Board of Directors held July 26, 1926, J. C. Kennedy resigned as Assistant Secretary.

1927

President.....J. J. O'Brien
Vice President.....John L. Gray
Vice President.....F. C. Gordon
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Mooly
Vice President.....E. J. McKay
Secretary.....W. R. Francisco
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....C. H. O'Reilly
Assistant Secretary.....Wm. G. Pohl
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....R. K. Huey
Assistant Secretary.....O. O. Kerr
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....C. H. O'Reilly
Assistant Treasurer.....Wm. G. Pohl

Assistant Treasurer.....O. O. Kerr
Assistant Treasurer.....R. K. Huey

At a directors' meeting held May 3, 1927, all of the above officers were re-elected.

1928

President.....J. J. O'Brien
Vice President.....John L. Gray
Vice President.....F. C. Gordon
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Vice President.....E. J. McKay
Secretary.....W. R. Francisco
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....C. H. O'Reilly
Assistant Secretary.....Wm. G. Pohl
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....R. K. Huey
Assistant Secretary.....O. O. Kerr
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....C. H. O'Reilly
Assistant Treasurer.....Wm. G. Pohl
Assistant Treasurer.....O. O. Kerr
Assistant Treasurer.....R. K. Huey

At a meeting of the Board of Directors held January 11, 1928, B. L. Majewski was elected Vice President.

At a meeting of the Board of Directors held March 9, 1928, J. L. Reedy was elected Assistant Secretary.

At a meeting of the Board of Directors held June 14, 1928, the following officers were elected:

President.....J. J. O'Brien
Vice President.....John L. Gray
Vice President.....F. C. Gordon

Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Vice President.....E. J. McKay
Vice President.....B. L. Majewski
Secretary.....W. R. Francisco
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....R. K. Huey
Assistant Secretary.....C. H. O'Reilly
Assistant Secretary.....Wm. G. Pohl
Assistant Secretary.....O. O. Kerr
Assistant Secretary.....J. L. Reedy
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....O. O. Kerr
Assistant Treasurer.....R. K. Huey
Assistant Treasurer.....C. H. O'Reilly
Assistant Treasurer.....Wm. G. Pohl

1929

President.....J. J. O'Brien
Vice President.....John L. Gray
Vice President.....F. C. Gordon
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Vice President.....E. J. McKay
Vice President.....B. L. Majewski
Secretary.....W. R. Francisco
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....R. K. Huey
Assistant Secretary.....C. H. O'Reilly

Assistant Secretary.....Wm. G. Pohl
Assistant Secretary.....O. O. Kerr
Assistant Secretary.....J. L. Reedy
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....O. O. Kerr
Assistant Treasurer.....R. K. Huey
Assistant Treasurer.....C. H. O'Reilly
Assistant Treasurer.....Wm. G. Pohl

At a meeting of the Board of Directors held June 12, 1929, the following officers were elected:

President.....J. J. O'Brien
Vice President.....John L. Gray
Vice President.....F. C. Gordon
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Vice President.....E. J. McKay
Vice President.....B. L. Majewski
Secretary.....W. R. Francisco
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....C. H. O'Reilly
Assistant Secretary.....R. K. Huey
Assistant Secretary.....Wm. G. Pohl
Assistant Secretary.....O. O. Kerr
Assistant Secretary.....J. L. Reedy
Assistant Secretary.....G. Earl Shaffer
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....O. O. Kerr
Assistant Treasurer.....R. K. Huey

Assistant Treasurer.....C. H. O'Reilly
Assistant Treasurer.....Wm. G. Pohl

At a meeting of the Board of Directors held September 5, 1929, J. L. Reedy resigned as Assistant Secretary; E. J. Gregory was elected to succeed him.

1930

President.....J. J. O'Brien
Vice President.....John L. Gray
Vice President.....F. C. Gordon
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Vice President.....E. J. McKay
Vice President.....B. L. Majewski
Secretary.....W. R. Francisco
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....C. H. O'Reilly
Assistant Secretary.....R. K. Huey
Assistant Secretary.....Wm. G. Pohl
Assistant Secretary.....O. O. Kerr
Assistant Secretary.....E. J. Gregory
Assistant Secretary.....G. Earl Shaffer
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....O. O. Kerr
Assistant Treasurer.....R. K. Huey
Assistant Treasurer.....C. H. O'Reilly
Assistant Treasurer.....Wm. G. Pohl

At a meeting of the Board of Directors held March 27, 1930, the following officers were elected:

President.....J. J. O'Brien
Vice President.....John L. Gray
Vice President.....F. C. Gordon
Vice President.....R. J. Graf

Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Vice President.....E. J. McKay
Vice President.....B. L. Majewski
Secretary.....W. R. Francisco
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....P. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....C. H. O'Reilly
Assistant Secretary.....R. K. Huey
Assistant Secretary.....Wm. G. Pohl
Assistant Secretary.....O. O. Kerr
Assistant Secretary.....E. J. Gregory
Assistant Secretary.....G. Earl Shaffer
Assistant Secretary.....J. J. Madden
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....O. O. Kerr
Assistant Treasurer.....R. K. Huey
Assistant Treasurer.....C. H. O'Reilly
Assistant Treasurer.....Wm. G. Pohl
Assistant Treasurer.....J. J. Madden

At a meeting of the Board of Directors held September 9, 1930, R. J. Kelly was elected Assistant Secretary.

1931

President.....J. J. O'Brien
Vice President.....John L. Gray
Vice President.....F. C. Gordon
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Vice President.....E. J. McKay
Vice President.....B. L. Majewski
Secretary.....W. R. Francisco
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch

Assistant Secretary.....M. A. Morrison
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....C. H. O'Reilly
Assistant Secretary.....R. K. Huey
Assistant Secretary.....Wm. G. Pohl
Assistant Secretary.....O. O. Kerr
Assistant Secretary.....E. J. Gregory
Assistant Secretary.....G. Earl Shaffer
Assistant Secretary.....J. J. Madden
Assistant Secretary.....R. J. Kelly
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....O. O. Kerr
Assistant Treasurer.....R. K. Huey
Assistant Treasurer.....C. H. O'Reilly
Assistant Treasurer.....Wm. G. Pohl
Assistant Treasurer.....J. . . Madden

At a meeting of the Board of Directors held March 24, 1931, the following officers were elected:

President.....J. J. O'Brien
Vice President.....John L. Gray
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Vice President.....E. J. McKay
Vice President.....B. L. Majewski
Secretary.....W. R. Francisco
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....C. H. O'Reilly
Assistant Secretary.....R. K. Huey
Assistant Secretary.....Wm. G. Pohl
Assistant Secretary.....O. O. Kerr
Assistant Secretary.....R. J. Kelly
Assistant Secretary.....E. J. Gregory
Assistant Secretary.....G. Earl Shaffer

Assistant Secretary.....J. J. Madden
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....O. O. Kerr
Assistant Treasurer.....R. K. Huey
Assistant Treasurer.....C. H. O'Reilly
Assistant Treasurer.....Wm. G. Pohl
Assistant Treasurer.....J. J. Madden

1932

President.....J. J. O'Brien
Vice President.....John L. Gray
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Vice President.....E. J. McKay
Vice President.....B. L. Majewski
Secretary.....W. R. Francisco
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....C. H. O'Reilly
Assistant Secretary.....R. K. Huey
Assistant Secretary.....Wm. G. Pohl
Assistant Secretary.....O. O. Kerr
Assistant Secretary.....R. J. Kelly
Assistant Secretary.....E. J. Gregory
Assistant Secretary.....G. Earl Shaffer
Assistant Secretary.....J. J. Madden
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....O. O. Kerr
Assistant Treasurer.....R. K. Huey
Assistant Treasurer.....C. H. O'Reilly

Assistant Treasurer.....Wm. G. Pohl
Assistant Treasurer.....J. J. Madden

At a meeting of the Board of Directors held April 9, 1932, the following officers were elected:

President.....J. J. O'Brien
Vice President.....John L. Gray
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody
Vice President.....E. J. McKay
Vice President.....B. L. Majewski
Secretary.....W. R. Francisco
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....R. K. Huey
Assistant Secretary.....Wm. G. Pohl
Assistant Secretary.....O. O. Kerr
Assistant Secretary.....R. J. Kelly
Assistant Secretary.....G. Earl Shaffer
Assistant Secretary.....A. L. Treasher
Assistant Secretary.....J. J. Madden
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....O. O. Kerr
Assistant Treasurer.....R. K. Huey
Assistant Treasurer.....Wm. G. Pohl
Assistant Treasurer.....J. J. Madden

At a meeting of the Board of Directors held December 14, 1932, G. Earl Shaffer resigned as Assistant Secretary.

1933

President.....J. J. O'Brien
Vice President.....John L. Gray
Vice President.....R. J. Graf
Vice President.....L. B. Riddle
Vice President.....W. E. Moody

Vice President.....E. J. McKay
Vice President.....B. L. Majewski
Secretary.....W. R. Francisco
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....R. K. Huey
Assistant Secretary.....Wm. G. Pohl
Assistant Secretary.....O. O. Kerr
Assistant Secretary.....R. J. Kelly
Assistant Secretary.....A. L. Treasher
Assistant Secretary.....J. J. Madden
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....O. O. Kerr
Assistant Treasurer.....R. K. Huey
Assistant Treasurer.....Wm. G. Pohl
Assistant Treasurer.....J. J. Madden

At a meeting of the Board of Directors held March 4, 1933, John L. Gray and L. B. Riddle resigned as Vice Presidents.

1934

President.....J. J. O'Brien
Vice President.....R. J. Graf
Vice President.....W. E. Moody
Vice President.....E. J. McKay
Vice President.....B. L. Majewski
Secretary.....W. R. Francisco
Assistant Secretary.....Herbert List
Assistant Secretary.....P. A. Lehmkuhl
Assistant Secretary.....B. W. Lynch
Assistant Secretary.....M. A. Morrison
Assistant Secretary.....A. L. Dade, Jr.
Assistant Secretary.....R. K. Huey
Assistant Secretary.....Wm. G. Pohl
Assistant Secretary.....O. O. Kerr
Assistant Secretary.....R. J. Kelly
Assistant Secretary.....A. L. Treasher

Assistant Secretary.....J. J. Madden
Treasurer.....W. R. Francisco
Assistant Treasurer.....Herbert List
Assistant Treasurer.....P. A. Lehmkuhl
Assistant Treasurer.....B. W. Lynch
Assistant Treasurer.....M. A. Morrison
Assistant Treasurer.....O. O. Kerr
Assistant Treasurer.....R. K. Huey
Assistant Treasurer.....Wm. G. Pohl
Assistant Treasurer.....J. J. Madden

Exhibit 17 of Stipulation.

Executive Committee of Deep Rock

1919—June 6, 1919. Members:

J. H. Briggs	B. W. Lynch
M. A. Morrison	H. C. Cummins

At a meeting of the Executive Committee held July 14, 1919, the following changes were made:

Mr. J. H. Briggs tendered his resignation as a member of the Committee and Mr. H. M. Byllesby was elected to succeed Mr. J. H. Briggs.

Mr. M. A. Morrison tendered his resignation as a member of the Committee and Mr. C. B. Shaffer was elected to succeed Mr. M. A. Morrison.

Mr. H. C. Cummins tendered his resignation as a member of the Committee and Mr. J. J. O'Brien was elected to succeed Mr. H. C. Cummins.

Mr. B. W. Lynch tendered his resignation as a member of the Committee and Mr. J. D. K. Shaffer was elected to succeed Mr. B. W. Lynch.

1920

On November 31, 1920, the following directors were elected members of the Executive Committee:

H. M. Byllesby	C. B. Shaffer
J. J. O'Brien	J. D. K. Shaffer

1921—January 1, 1921. Members:

H. M. Byllesby	C. B. Shaffer
J. J. O'Brien	J. D. K. Shaffer

On May 4, 1921, the following persons were elected members of the Executive Committee:

H. M. Byllesby	J. J. O'Brien
George N. Moore	R. J. Graf
Otto E. Osthoff	H. C. Cummins

1922—January 1, 1922. Members:

H. M. Byllesby	J. J. O'Brien
George N. Moore	R. J. Graf
Otto E. Osthoff	H. C. Cummins

On March 22, 1922, the following persons were elected members of the Executive Committee:

H. M. Byllesby	J. J. O'Brien
G. N. Moore	R. J. Graf
A. S. Huey	H. C. Cummins
Otto E. Osthoff	

At a meeting of the Executive Committee held January 22, 1922, the following changes were made:

Mr. G. N. Moore tendered his resignation as a member of the Committee and Mr. F. W. Stehr was elected to succeed Mr. G. N. Moore.

At a meeting of the Executive Committee held December 26, 1922, Mr. Otto E. Osthoff tendered his resignation as a member of the Committee.

1923 Members:

H. M. Byllesby	R. J. Graf
H. C. Cummins	J. J. O'Brien
A. S. Huey	F. W. Stehr

1924 Members:

H. M. Byllesby	R. J. Graf
H. C. Cummins	J. J. O'Brien
A. S. Huey	F. W. Stehr

1925 Members:

J. J. O'Brien	H. C. Cummins
R. J. Graf	F. W. Stehr
J. L. Gray	

1926—January 1, 1926. Members:

J. J. O'Brien	H. C. Cummins
R. J. Graf	F. W. Stehr
J. L. Gray	

On April 21, 1926, the following persons were elected members of the Executive Committee:

J. J. O'Brien
R. J. Graf
J. L. Gray
H. C. Cummins
F. W. Stehr
L. B. Riddle
W. R. Francisco

1927—January 1, 1927. Members:

J. J. O'Brien
R. J. Graf
J. L. Gray
H. C. Cummins
F. W. Stehr
L. B. Riddle
W. R. Francisco

On May 3, 1927, the following persons were elected members of the Executive Committee:

J. J. O'Brien
R. J. Graf
J. L. Gray
H. C. Cummins
F. W. Stehr
L. B. Riddle
W. R. Francisco

1928—January 1, 1928. Members:

J. J. O'Brien
R. J. Graf
J. L. Gray
H. C. Cummins
F. W. Stehr
L. B. Riddle
W. R. Francisco

On June 14, 1928, the following persons were elected members of the Executive Committee:

H. C. Cummins
J. L. Gray
F. W. Stehr
J. J. O'Brien
R. J. Graf
L. B. Riddle
W. R. Francisco

1929 Members:

H. C. Cummins
J. L. Gray
F. W. Stehr
J. J. O'Brien
R. J. Graf
L. B. Riddle
W. R. Francisco

1930 Members:

H. C. Cummins
J. L. Gray
F. W. Stehr
J. J. O'Brien
R. J. Graf
L. B. Riddle
W. R. Francisco

1931 Members:

H. C. Cummins
J. L. Gray
F. W. Stehr
J. J. O'Brien
R. J. Graf
L. B. Riddle
W. R. Francisco

1932 Members:

H. C. Cummins
J. L. Gray
F. W. Stehr
J. J. O'Brien
R. J. Graf
L. B. Riddle
W. R. Francisco

1933 Members:

H. C. Cummins
J. L. Gray
F. W. Stehr
J. J. O'Brien
R. J. Graf
L. B. Riddle
W. R. Francisco

Exhibit 18 of Stipulation.

Dividends paid by Byllesby Engineering and Management Corporation for each year and the amount of surplus at the end of each year are as follows:

	Dividends	Surplus at end of year after dividends
1919	$ 978,029.57	$ .....
1920	948,937.55	.....
1921	1,072,109.47	20,006.19
1922	1,396,035.77	.....
1923	1,650,523.14	.....
1924	1,922,280.22	.....
1925	1,288,304.74	930,009.29
1926	1,946,344.35	559,664.09
1927	1,899,771.02	
1928	2,032,405.30	$1,509,679.57
1929	1,761,985.02	.....
1930	3,130,565.93	.....
1931	1,878,200.84	.....
1932	1,146,923.91	.....
1933	923,987.27	.....
Total	$23,976,404.10	

All of the above dividends were paid to Standard Gas and Electric Company by credits to open account.

Exhibit 19 of Stipulation.

As indicated in the operating report of Deep Rock Oil Corporation as of December 31, 1932, the following is a list of its subsidiaries as of that date:

(1) Companies in which Deep Rock Oil Corporation owned all the capital stock: Deep Rock Oil Company of Wisconsin, Southern Illinois Service Stations Company, Deep Rock Oil Company (Delaware), Deep Rock Petroleum Company, Ozark Car Corporation.

(2) Companies in which Deep Rock Oil Corporation owns controlling interest: Deep Rock Oil Corporation of Nebraska.

For income tax purposes Deep Rock Oil Corporation and its subsidiary companies were affiliated with Standard Gas and Electric Company and their taxable net incomes were included in the consolidated returns filed by the latter company, as follows:

Period April 12, 1921 to December 31, 1921
Year 1922
Year 1923

Period April 1, 1928 to December 31, 1928
Year 1929
Year 1930

Period January 1, 1931 to September 30, 1931

Deep Rock Oil and Refining Company was affiliated with Standard Gas and Electric Company and its taxable net income was included in the consolidated returns filed by the latter company since its inception on February 26, 1923.

Exhibit 20 of Stipulation.

List of Directors.

Deep Rock Oil and Refining Company.
1923-1934

On February 27, 1923, the following Directors were elected:

R. J. Graf
R. G. Hunt
B. W. Lynch
A. S. Cummins
J. H. Briggs

On March 27, 1925—Mr. R. G. Hunt and Mr. A. S. Cummins resigned as Directors and J. L. Gray and L. B. Riddle succeeded them.

On April 7, 1926—Mr. J. H. Briggs resigned as Director and W. R. Francisco succeeded him.

On February 16, 1928, the following Directors were elected:

John L. Gray
R. J. Graf
B. W. Lynch
W. R. Francisco
L. B. Riddle

On February 21, 1929, the following Directors were elected:

John L. Gray
R. J. Graf
B. W. Lynch
W. R. Francisco
L. B. Riddle

On February 20, 1930, the following Directors were elected:

John L. Gray
R. J. Graf
B. W. Lynch
W. R. Francisco
L. B. Riddle

On February 19, 1931, the following Directors were elected:

John L. Gray
R. J. Graf
B. W. Lynch
W. R. Francisco
L. B. Riddle

On February 18, 1932, the following Directors were elected:

W. R. Francisco
R. J. Graf
John L. Gray
B. W. Lynch
L. B. Riddle

On February 16, 1933, the following Directors were elected:

W. R. Francisco
R. J. Graf
John L. Gray
B. W. Lynch
L. B. Riddle

On April 15, 1933—Mr. John L. Gray and Mr. L. B. Riddle resigned as Directors and B. L. Majewski and Richard K. Huey succeeded them.

On February 15, 1934, the following Directors were elected:

W. R. Francisco
R. J. Graf
Richard K. Huey
B. W. Lynch
B. L. Majewski

Exhibit 21 of Stipulation.

First Meeting.

Minutes of First Meeting of Directors Deep Rock Oil and Refining Company, March 22, 1923.

The first meeting of the Board of Directors of Deep Rock Oil and Refining Company was held at 208 South LaSalle Street, Chicago, Illinois, on the 22nd day of March, 1923, at 2 P. M.

Present: Messrs. R. J. Graf, R. G. Hunt, B. W. Lynch, A. S. Cummins, J. H. Briggs, constituting all of the Board.

Mr. R. G. Hunt was chosen temporary chairman and Mr. R. J. Graf was chosen temporary secretary of the meeting.

The Secretary presented and read the following waiver of notice of the meeting, signed by all the directors:

Waiver of Notice.

First Meeting of the Board of Directors.

We, the undersigned, being all the directors of Deep Rock Oil and Refining Company, do hereby waive notice of the time, place and purpose of the first meeting of the board of directors of said corporation.

We designate the 22nd day of March, 1923, at two o'clock in the afternoon as the time, and 208 South LaSalle Street, Chicago, Illinois, as the place of said meeting, the purpose thereof being to elect officers, authorize the issue of the capital stock, complete the organization of said corporation, and to transact such other business as may be necessary or advisable.

Dated March 21, 1923.

B. W. LYNCH,
J. H. BRIGGS,
R. J. GRAF,
A. S. CUMMINS,
R. G. HUNT.

The minutes of the first meeting of incorporators were read and approved.

The following persons were nominated for officers of the corporation to serve until their respective successors are chosen and qualify:

President.....R. G. Hunt
Vice-President.....A. S. Cummins
Secretary.....R. J. Graf
Assistant Secretary.....B. W. Lynch
Treasurer.....R. J. Graf
Assistant Treasurer.....J. H. Briggs

Ballot having been duly had and all the directors present having voted, the chairman announced that the aforesaid persons had been unanimously elected to the offices set before their respective names.

The President thereupon took the chair.

It was ordered that the Secretary and Assistant Secretary be sworn to the faithful discharge of their duties and each of them thereupon subscribed and swore to the oath of office and entered upon the discharge of his duties.

Said Secretary's oath is as follows:

Secretary's Oath.

State of Illinois, County of Cook, ss.

I, R. J. Graf, do solemnly promise and swear that I will faithfully, impartially and justly perform the duties of Secretary of the Deep Rock Oil and Refining Company, a corporation of the State of Delaware, according to the best of my abilities and understanding. So help me God.

(Seal). R. J. GRAF.

Subscribed and sworn to before me this 22nd day of March, 192. John P. Ryan, Notary Public, Cook County, Illinois.

Said Assistant Secretary's oath is as follows:

Assistant Secretary's Oath.

State of Illinois, County of Cook, ss.

I, B. W. Lynch, do solemnly promise and swear that I will faithfully, impartially and justly perform the duties of Assistant Secretary of the Deep Rock Oil and Refining Company,

a corporation of the State of Delaware, according to the best of my abilities and understanding. So help me God.

(Seal). B. W. LYNCH.

Subscribed and sworn to before me this 22nd day of March, 1923. John P. Ryan, Notary Public, Cook County, Illinois.

Upon motion duly made, seconded and carried, it was

Resolved that Messrs. R. G. Hunt and R. J. Graf be and they are hereby designated as members of the executive committee (Mr. R. G. Hunt to be chairman thereof) with authority to exercise all the powers of the board in the current business of the corporation while the board is not in session.

Upon motion duly made, seconded and carried, it was

Resolved that the form of stock certificate presented and read be approved and adopted, and that the Secretary be instructed to insert a specimen thereof in the minute book.

Upon motion duly made, seconded and carried, it was

Resolved That the seal, an impression of which is herewith affixed, be adopted as the corporate seal of the corporation. (Seal).

The Secretary was authorized and directed to procure the proper corporate books.

Upon motion duly made, seconded and carried, it was

Resolved that the Treasurer be and he is hereby authorized to open a bank account in behalf of the corporation with the Continental and Commercial National Bank of Chicago, Illinois.

Further Resolved that until otherwise ordered, said Bank be and hereby is authorized to make payments from the funds of this corporation on deposit with it upon and according to the check of this corporation signed by its President or Vice-President and countersigned by its Treasurer or Assistant Treasurer.

Upon motion duly made, seconded and carried, it was

Resolved that the Corporation Trust Company of America be and is hereby appointed the agent of this corporation, in charge of the principal office in Delaware and of the books required by law to be kept in that office, and the agent upon

whom process against this corporation may be served in accordance with the laws of Delaware;

Further Resolved that said Trust Company may apply to and act upon the instructions of Cummins, Roemer and Flynn, the counsel of this corporation, in respect to any questions arising in connection with said agency;

Further Resolved that the Secretary be and is hereby authorized to sign and seal with the corporation's seal a certificate of authorization to said Trust Company in the form submitted at this meeting.

Upon motion duly made, seconded and carried, it was

Resolved that an office of the corporation be established and maintained at 208 South LaSalle Street, in the City of Chicago, State of Illinois, and that meetings of the Board of Directors from time to time may be held either at the registered office in Wilmington, Delaware, or at such office in the City of Chicago or elsewhere, as the Board of Directors shall from time to time order.

Further Resolved that until otherwise ordered, regular meetings of the Board of Directors be held at said office in the City of Chicago, on the 2nd day of each month at 10:00 A. M.

Upon motion duly seconded and carried, the following preambles and resolutions were unanimously adopted:

Whereas, J. C. Kennedy, Trustee, has offered to sell, assign and transfer to this corporation property as follows:

> A contract made and entered into by and between the Bradstreet Oil Company and himself, dated February 15, 1923, and the property therein referred to, and also a contract between the Shaffer Oil and Refining Company and himself, dated February 17, 1923, relating to the operation of said property and the providing of working capital for same.

in full payment for nine thousand (9,000) shares of the stock of this Corporation without nominal or par value, to be issued to him or his nominees and in full payment on behalf of the signers of the certificate of incorporation, for the shares of stock of this corporation subscribed for by them, respectively, as shown by the certificate of incorporation; and

Whereas, in the judgment of this board said property is

necessary for the business of this corporation and is a good and sufficient consideration for the shares of stock demanded therefor;

Now, therefore, be it

Resolved that the offer of said J. C. Kennedy, Trustee, to assign the said contracts and to sell to this corporation the property hereinbefore described, be and it is hereby accepted and that the President and Secretary of this corporation be and they hereby are authorized and directed to execute in the name and in behalf of this corporation and under its corporate seal such agreement or agreements as may be necessary for the purchase of said property in accordance with said offer.

Further Resolved that the President and the Secretary be and they hereby are authorized and directed to issue and deliver in payment for said property, in accordance with said offer, certificates of full paid capital stock of this corporation to the said J. C. Kennedy, Trustee, or his nominees, for an aggregate of eight thousand nine hundred and ninety (8,990) shares and to the signers of the certificate of incorporation, or to their respective assigns, for the ten (10) shares subscribed for by them as shown by the certificate of incorporation.

Upon motion duly made, seconded and carried, it was

Resolved that the proper officers of this corporation be and they are hereby authorized and directed in behalf of the corporation, and under its corporate seal, to make and file such certificate, report or other instrument as may be required by law to be filed in any state, territory or dependency of the United States, or in any foreign country in which said officers shall find it necessary or expedient to file the same to authorize the corporation to transact business in such state, territory, dependency or foreign country.

Upon motion duly made, seconded and carried, it was

Resolved that the Treasurer be and he is hereby authorized to pay all fees and expenses incident to and necessary for the organization of the corporation.

Upon motion duly made, seconded and carried, the meeting thereupon adjourned.

R. J. GRAF, Secretary.

Exhibit 22 of Stipulation.

Second Meeting.

Regular Meeting of Board of Directors, Deep Rock Oil and Refining Company, June 2, 1923.

The regular meeting of the Board of Directors of Deep Rock Oil and Refining Company was held at the office of the Company, 208 South LaSalle Street, Chicago, Illinois, on Saturday, the 2nd day of June, 1923, at ten o'clock in the forenoon of that day.

The following directors were present: R. J. Graf, R. G. Hunt, B. W. Lynch, A. S. Cummins, J. H. Briggs, being all the members of the Board and constituting a quorum for the transaction of business.

Mr. R. G. Hunt, the President of the Company, acted as Chairman, and Mr. R. J. Graf, the Secretary, recorded the minutes of the meeting.

The minutes of the previous meeting were read and duly approved.

Upon motion duly made, seconded and carried,

It Was Resolved that this Company elect two additional Assistant Secretaries with the same powers and duties as the other Assistant Secretary of the Company.

Thereupon Messrs. A. L. Dade and J. C. Kennedy were nominated and upon a vote being had, were unanimously elected additional Assistant Secretaries of the Company to hold office until the next annual meeting of stockholders or until the election and qualification of their successors.

Upon motion duly made, seconded and carried,

It Was Resolved that this Company elect two additional Assistant Treasurers with the same powers and duties as the other Assistant Treasurer of the Company.

Thereupon Messrs. W. R. Francisco and O. O. Kerr were nominated and upon a vote being had, were unanimously elected additional Assistant Treasurers of the Company to hold office until the next annual meeting of stockholders or until the election and qualification of their successors.

On motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It Resolved by the Board of Directors of Deep Rock Oil and Refining Company that all checks, notes and other writings obligatory and all receipts, discharges and orders shall be signed by the President or a Vice-President and countersigned by the Treasurer or one of the Assistant Treasurers, the Secretary or one of the Assistant Secretaries of the Company, provided that no instrument shall be signed and countersigned by the same person.

On motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It Resolved that the Secretary or any Assistant Secretary, the Treasurer or any Assistant Treasurer of this Company be and they are hereby authorized to execute on behalf of this Company, all division and transfer orders for the transfer of well interest to be filed with any company with which this Company may do business, and that the Secretary or Treasurer, or either of them, be and they are hereby authorized to sell all oil now in the custody of the Company or which may hereafter be run into the custody of any company, to the credit of this Company.

There being no further business to come before the meeting, the same was, on motion duly made, seconded and carried, adjourned.

R. J. GRAF, Secretary.

Exhibit 23 of Stipulation.

Third Meeting.

Adjourned Regular Meeting of Board of Directors, Deep Rock Oil and Refining Company, March 27, 1925.

An adjourned regular meeting of the Board of Directors of Deep Rock Oil and Refining Company was held at the office of the Company, 231 South LaSalle Street, Chicago, Illinois, on the 27th day of March, 1925, at ten o'clock in the forenoon of that day, pursuant to adjournment.

The following directors were present: R. J. Graf, R. G. Hunt, B. W. Lynch, A. S. Cummins, J. H. Briggs, being all the members of the Board and constituting a quorum for the transaction of business.

Mr. R. G. Hunt, the President of the Company, acted as

Chairman, and Mr. R. J. Graf recorded the minutes of the meeting.

The minutes of the previous meeting were read and duly approved.

The Chairman thereupon presented to the meeting the resignation of Mr. R. G. Hunt as President and Director of the Company, which, upon motion duly made, seconded and carried, was accepted.

Thereupon Mr. J. L. Gray was nominated and upon a vote being had, was unanimously elected President and Director of the Company to fill the vacancy caused by the resignation of Mr. R. G. Hunt.

The Chairman thereupon presented to the meeting the resignation of Mr. A. S. Cummins as Vice-President and Director of the Company, which, upon motion duly made, seconded and carried, was accepted.

Thereupon Mr. L. B. Riddle was nominated and upon a vote being had, was unanimously elected Vice-President and Director of the Company to fill the vacancy caused by the resignation of Mr. A. S. Cummins.

The Chairman thereupon presented to the meeting the resignation of Mr. R. J. Graf as Secretary and Treasurer of the Company, to take effect at the close of the meeting, which, upon motion duly made, seconded and carried, was accepted.

Thereupon Mr. W. R. Francisco was nominated and upon a vote being had, was unanimously elected Secretary and Treasurer of the Company to fill the vacancy caused by the resignation of Mr. R. J. Graf.

There being no further business to come before the meeting, the same was, upon motion duly made, seconded and carried, adjourned.

R. J. GRAF, Secretary.

Exhibit 24 of Stipulation.

Fourth Meeting.

Adjourned Regular Meeting of Board of Directors, Deep Rock Oil and Refining Company, December 31, 1925.

An adjourned regular meeting of the Board of Directors

of Deep Rock Oil and Refining Company was held at the office of the Company, 231 South LaSalle Street, Chicago, Illinois, on the 31st day of December, 1925, at ten o'clock in the forenoon of that day, pursuant to adjournment.

The following directors were present: R. J. Graf, B. W. Lynch, J. H. Briggs, constituting a majority of the Board and a quorum for the transaction of business.

Absent: J. L. Gray, L. B. Riddle.

In the absence of the President, Mr. R. J. Graf acted as Chairman, and Mr. Herbert List, Assistant Secretary of the Company, recorded the proceedings of the meeting.

The minutes of the previous meeting were read and duly approved.

Upon motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It and It Is Hereby Resolved by the Board of Directors of Deep Rock Oil and Refining Company that a dividend of $225,000 on the Common Capital Stock of the Company be and the same is hereby declared, payable December 31, 1925, to the Common Stockholders of the Company of record December 31, 1925.

There being no further business to come before the meeting, the same was, upon motion duly made, seconded and carried, adjourned.

HERBERT LIST, Secretary of the Meeting.

Exhibit 25 of Stipulation.

Fifth Meeting.

Adjourned Regular Meeting of Board of Directors, Deep Rock Oil and Refining Company, April 7, 1926.

An adjourned regular meeting of the Board of Directors of Deep Rock Oil and Refining Company was held at the office of the Company, 231 South LaSalle Street, Chicago, Illinois, on the 7th day of April, 1926, at ten o'clock in the forenoon of that day, pursuant to adjournment.

The following Directors were present: J. L. Gray, R. J. Graf, L. B. Riddle, constituting a majority of the Board and a quorum for the transaction of business.

Absent: B. W. Lynch, J. H. Briggs.

Mr. J. L. Gray, the President of the Company, acted as Chairman, and Mr. Herbert List recorded the proceedings of the meeting.

The minutes of the previous meeting were read and duly approved.

Upon motion duly made, seconded and carried,

It Was Resolved that this Company elect an additional Vice-President with the same powers and duties as the other Vice-Presidents of the Company.

Thereupon Mr. E. J. McKay was nominated and upon a vote being had, was unanimously elected Vice-President of the Company to hold office until the next annual meeting of stockholders or until the election and qualification of his successor.

The Chairman thereupon presented to the meeting the written resignation of Mr. B. W. Lynch as Assistant Secretary of the Company, which, upon motion duly made, seconded and carried, was accepted.

Thereupon Mr. Herbert List was nominated and upon a vote being had, was unanimously elected Assistant Secretary of the Company to fill the vacancy caused by the resignation of Mr. B. W. Lynch.

The Chairman thereupon presented to the meeting the written resignation of Mr. J. H. Briggs as Director of the Company, which, upon motion duly made, seconded and carried, was accepted.

Thereupon Mr. W. R. Francisco was nominated and, upon a vote being had, was unanimously elected Director of the Company to fill the vacancy caused by the resignation of Mr. J. H. Briggs.

Upon motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It and It Is Hereby Resolved by the Board of Directors of Deep Rock Oil and Refining Company that the action of W. R. Francisco, Treasurer of this Company, in depositing with the Union Trust Company of Cleveland, Ohio, twelve (12) First Mortgage 7% Gold Notes of Kline and Brann, Inc., owned by this Company, being part of the notes secured by a

Mortgate or Trust Deed made by said Kline and Brann, Inc., to Bankers Trust Company, as Trustee, dated January 15, 1924, pursuant to the terms of that certain deposit agreement with Bondholders' Committee of Kline and Brann, Inc., dated February 16, A. D. 1926, be and the same is hereby in all respects ratified, approved and confirmed.

There being no further business to come before the meeting, the same was, on motion duly made, seconded and carried, adjourned.

HERBERT LIST, Secretary of the Meeting.

Exhibit 26 of Stipulation.

Sixth Meeting.

Adjourned Regular Meeting of Board of Directors, Deep Rock Oil and Refining Company, June 28, 1926.

An adjourned regular meeting of the Board of Directors of Deep Rock Oil and Refining Company was held at the office of the Company, 231 South LaSalle Street, Chicago, Illinois, on the 28th day of June, 1926, at ten o'clock in the forenoon of that day, pursuant to adjournment.

The following directors were present: J. L. Gray, R. J. Graf, W. R. Francisco, L. B. Riddle, constituting a majority of the Board and a quorum for the transaction of business.

Absent: B. W. Lynch.

Mr. J. L. Gray, the President of the Company, acted as Chairman and Mr. W. R. Francisco recorded the minutes of the meeting.

The minutes of the previous meeting were read and duly approved.

Upon motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It and It Is Hereby Resolved by the Board of Directors of Deep Rock Oil and Refining Company, that a dividend of Three Hundred Thousand Dollars ($300,000) on the common capital stock of the Company be and the same is hereby declared, payable June 30, 1926, to the common stockholders of the Company of record June 30, 1926.

The Chairman thereupon presented to the meeting the

resignation of Mr. J. C. Kennedy as Assistant Secretary and member of the Board of Directors of the Company, which, upon motion duly made, seconded and carried, was accepted.

There being no further business to come before the meeting, the same was, on motion duly made, seconded and carried, adjourned.

W. R. FRANCISCO, Secretary.

Exhibit 27 of Stipulation.

Seventh Meeting.

Adjourned Regular Meeting of Board of Directors, Deep Rock Oil and Refning Company, July 26, 1926.

An adjourned regular meeting of the Board of Directors of Deep Rock Oil and Refining Company was held at the office of the Company, 231 South LaSalle Street, Chicago, Illinois, on the 26th day of July, 1926, at two-thirty o'clock in the afternoon of that day, pursuant to adjournment.

The following directors were present: J. L. Gray, W. R. Francisco, L. B. Riddle, constituting a majority of the Board and a quorum for the transaction of business.

Absent: R. J. Graf, B. W. Lynch.

Mr. J. L. Gray, the President of the Company, acted as Chairman, and Mr. W. R. Francisco, the Secretary of the Company, recorded the proceedings of the meeting.

The minutes of the previous meeting were read and duly approved.

Upon motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It and It Is Hereby Resolved by the Board of Directors of Deep Rock Oil and Refining Company that a dividend of Fifty Thousand Dollars ($50,000) on the Common Capital Stock of the Company be and the same is hereby declared, payable July 31, 1926, to the common stockholders of the Company of record July 31, 1926.

There being no further business to come before the meeting, the same was, on motion duly made, seconded and carried, adjourned.

W. R. FRANCISCO, Secretary.

Exhibit No. 28 of Stipulation (Condensed).

(Exhibit No. 28 is a photostatic copy of the Refining Company's stock transfer book.)

(1) Page 1 of Exhibit 28 shows stub, marked "Original issue," with 50 cent revenue stamp, and undetached certificate dated March 22, 1923, to R. J. Graf, for 10 shares.

(2) Page 2 is an instrument entitled "Irrevocable Stock Power," dated March 22, 1923, signed by R. J. Graf, and transferring 2 shares to R. J. Graf, 2 shares to R. G. Hunt, 2 shares to B. W. Lynch, 2 shares to A. S. Cummins and 2 shares to J. H. Briggs, with irrevocable power of attorney to M. A. Morrison to execute proper assignment of transfer.

(3) Page 3 shows stub of Certificate No. 2, dated March 22, 1923, issued to R. J. Graf, for 2 shares. 20 cent revenue stamp attached.

(4) Page 4 shows stub of Certificate No. 3, dated March 22, 1923, and undetached Certificate No. 3, issued to R. G. Hunt, for 2 shares.

(5) Page 5. On the back of the aforesaid certificate R. G. Hunt executes an assignment and transfer of his two shares to J. L. Gray, under date of March 27, 1925. Revenue stamp attached.

(6) Page 6 shows stub of Certificate No. 4, dated March 22, 1923, issued to B. W. Lynch, for two shares.

(7) Page 7 shows stub and undetached Certificate No. 5, dated March 22, 1923, for 2 shares, issued to A. S. Cummins.

(8) Page 8. On the back of the aforesaid certificate A. S. Cummins executes an assignment and transfer of his two shares to L. B. Riddle, under date of March 27, 1925. Revenue stamp attached.

(9) Page 9 shows stub and undetached Certificate No. 6 for 2 shares, dated March 22, 1923, issued to J. H. Briggs.

(10) Page 10 is an instrument entitled "Irrevocable Stock Power," signed by J. H. Briggs, undated and all blanks unfilled, neither the assignee nor attorney in fact being named. Revenue stamp attached.

(11) Page 11 shows stub and undetached Certificate No. 7 for 8,990 shares, dated March 22, 1923, issued to J. C. Ken-

nedy, Trustee, entitled "Original Issue." Proper government stamps attached.

(12) Page 12 is an instrument entitled "Irrevocable Stock Power," signed by J. C. Kennedy, Trustee, on March 22, 1923, to M. A. Morrison, assigning and appointing Morrison Attorney in Fact to execute proper assignment of certificate for 8,990 shares of the Refining Company's stock. Proper government stamps attached.

(13) Page 13 shows stub and undetached Certificate No. 8 for 8,990 shares, dated March 22, 1923, issued to M. A. Morrison and transferred from J. C. Kennedy, Trustee. No revenue stamps attached.

(14) Page 14. On the back of the aforesaid certificate is a printed, unexecuted assignment, dated March 22, 1923.

(15) Page 15 shows stub of Certificate No. 9, for 8,325 shares, issued to M. A. Morrison on March 22, 1923. No revenue stamps attached. This purports to be transferred from Morrison's 8,990 shares.

(16) Page 16 shows stub of Certificate No. 10, for 665 shares, dated March 22, 1923, issued to M. A. Morrison out of the 8,990 shares. No government stamp attached.

(17) Page 17 shows stub and undetached Certificate No. 11, for 2 shares, dated March 27, 1925, issued to J. L. Gray and transferred from R. G. Hunt. No revenue stamps attached.

(18) Page 18 is an instrument entitled "Irrevocable Stock Power," signed by John L. Gray, undated, but purporting to assign 2 shares to B. L. Majewski. Proper revenue stamps attached.

(19) Page 19 shows stub and undetached Certificate No. 12, dated March 27, 1925, for 2 shares, issued to L. B. Riddle purporting to be transferred from A. S. Cummins. No stamps attached.

(20) Page 20 is an instrument entitled "Irrevocable Stock Power," signed by L. B. Riddle, undated, and purporting to transfer 2 shares to Richard K. Huey. Proper stamps attached.

(21) Page 21 shows stub of Certificate No. 13, dated April 7, 1926, for 2 shares, issued to W. R. Francisco, purporting to be transferred by J. H. Briggs. No stamps attached.

(22) Page 22 shows stub of Certificate No. 14, dated April 14, 1933, for 2 shares, issued to B. L. Majewski, purporting to be transferred by J. L. Gray. No stamps attached.

(23) Page 23 shows stub of Certificate No. 15, dated April 14, 1933, for 2 shares, issued to Richard K. Huey, purporting to be transferred by L. B. Riddle. No stamps attached.

Hearing on March 25, 1935, Before the Special Master on Reference of Trustee's Petition Submitting Standard's First Offer of Compromise of Standard's Claim.

Hearing before Hon. Preston C. West, Special Master.

Messrs. Ramsey, Martin & Logan appeared for the Trustee.

Messrs. Gibson, Maxey & Holleman and R. M. Campbell appeared for the claimant Standard Gas & Electric Co.

Messrs. Sempliner, Dewey, Stanton & Honigman and Milsten & Milsten appeared for Taylor & Taylor, preferred stockholders.

Mr. James F. Oates, Jr., appeared for the Reorganization Committee.

George S. Ramsey was called as a witness on behalf of Taylor and Taylor, preferred stockholders, and on direct examination by Mr. Honigman testified:

Q. Judge Ramsey, is it not a fact that all of the proofs on both sides have been taken in connection with the claim that is here filed and the objections that are proposed against it? A. Yes, the evidence has been closed.

Q. For a determination by the master of the subject matter here, would it require, in your opinion, any further proofs? A. Well, I don't know of any further proofs that we could offer. You see, we were handicapped by the fact that we had to dig out of the Standard's own witnesses practically all the facts we have got in this record, on cross-examination. We went up to Chicago first, Mr. Gibson put Mr. O'Brien and several of the officers of the Standard on the witness stand and we cross-examined them, but reserved the right to have the record written up by the court reporter for our examination and then further cross-examination, because we were not sufficiently advised before hand what these various figures were. There are so many figures in this thing. Figures run-

ning up to over fifty million dollars, over thirteen years. We did not have an independent audit. We had the assistance of the auditor who had kept up with the records of the Deep Rock Oil Corporation. That was Mr. McCune. We advised with him from time to time about some of these figures.

Mr. Kerr and Mr. Francisco have been in the employ of the trustee and the predecessor receivers for the past two years, ever since the inception of the receivership. A good part of the testimony in this case is the testimony of Mr. Kerr and Mr. Francisco. They testified on the witness stand, then we prepared a lot of interrogatories to develop certain figures, calculations and things they answered. The testimony they gave before the hearing was not available for me prior to the time of the hearing. Mr. O'Brien, Mr. Morrison, Mr. Graf, Mr. Lynch, I didn't know what any of them would testify. We had, in a general way, obtained from Mr. Gray and Mr. Riddle the facts we alleged in the bill to have a receiver appointed, but to get into the details of it we had to pump it out of these witnesses, especially Mr. Knourek, who is the Standard's auditor, or the Management Corporation's, I don't know which—impressed me as a very thorough—evidently a fellow who knew what he was talking about. We never got any volunteered information about anything. We had to pump it out of him. I didn't observe Mr. Kerr and Mr. Francisco as being unwilling to testify for the Standard. They didn't volunteer anything to us. When they testified certain things, we would take that, have it written up, go over it, study it, try to figure out the dates. Under the evidence, in my mind, I think that $200,000 per annum fee of Byllesby Engineering ought to be disallowed. The burden of proof is on the Standard and I don't think there is any record to sustain it. As to an audit made for the purpose of determining any payments made by Deep Rock to Standard or Byllesby Engineering or H. M. Byllesby Company, other than what appeared in the Standard account, we consulted only Mr. McCune, who had gone over Deep Rock's books, not Standard's. He is with Peat, Marwick-Mitchell. He said the Standard's claim and its theory and the basis put on it was correct; in other words, that if all the items were allowed, they would be entitled to this $9,300,000. Of course, he didn't propose to pass on the merits of them, but what was shown on the books. I didn't have any statement prepared showing the payments made by Deep Rock to Standard or other associated companies.

Q. It is a fact, is it not, Judge Ramsey, that there were other payments made by Deep Rock to some Standard associated companies, that do not appear in the Standard account? A. I don't know.

Q. What about the item of $168,000, which is the balance of the four per cent charge for getting extensions? Did that appear in the Standard account? A. I think it did. I think they put a witness on to prove that. Is that $143,000?

Q. No, sir, $168,000. A. Yes, that is developed in the proof here. They put George Knourek on the stand and he testified to that, isn't that right?

Mr. Campbell: Yes.

By Mr. Honigman: Q. That is not part of the Standard's account, is it? A. I don't think so. I don't remember, but I think they paid it to Byllesby Company direct.

Q. That is right. Isn't it true there was an item of one hundred odd thousand dollars for services of incorporation that H. M. Byllesby Company charged that did not appear? A. I think there was a charge of something like $100,000.

Q. That likewise was a direct payment by Deep Rock to H. M. Byllesby & Company? A. Yes, that is way back yonder; back in the early '20's, I think that was, but I think that was paid to cover that—to get rid of the statute of limitaions. Of course, in bankruptcy cases we contend that does not cut much figure.

No appraisal of Deep Rock has been made by the receivers or trustee; that is by appraisers, that I know of. Mr. Francisco gave his opinion, on the witness stand, what the property was worth. That was $12,000,000. I think he is kind of low on it, from what I gathered about it. Of course, you could not sell the Standard Oil Company's assets for anything like they are worth, because nobody has the money to buy them. It is not possible to operate the business of the Deep Rock Company without the functioning of the cracking plant. I think the cracking plant is an indispensable auxiliary to that refinery, and the testimony shows that, proved by Mr. Moody and Mr. Majewski. The receivers took over the cracking plant and the Bradstreet properties, when they were appointed, and they repudiated that lease and the trustee in bankruptcy has those properties and claims them. We claim they are assets

of the Deep Rock. We paid no rent to the Standard nor has Standard ever asked for any rent, that I know of.

(Note: Here Mr. Martin stated that the Trustee had filed an application in the court for instructions with respect to disaffirming the Refining Company lease and that Mr. Ramsey did not handle it. Mr. Gibson said he knew Mr. Ramsey did not handle it. The Master stated: "We have not been very formal about these matters. Some of these gentlemen have attended to one thing, some to another. They were merely supplying that for the sake of getting along." Mr. Ramsey then stated that Mr. Martin looked after the application for instructions and for disaffirmance, and that the evidence showed that the lease had been operated at a loss.)

Q. Who was present at the conversations you had with reference to the proposed settlement? A. Mr. Jack Shinners, and at one time Mr. Shinners came down and he talked about the matter; we didn't get anywhere at all. He had some ideas that we would not entertain. I don't remember just what they were; then he and Mr. Knourek came down here. The last time they were here, probably four or five days, we negotiated back and forth and finally arrived at the terms of the settlement, subject to the approval of the court.

Q. Whom was Mr. Shinners representing in this discussion with you? A. I assume he was representing the Standard. I don't know.

Q. Do you know whether he had any authority to represent the Standard? A. No, I don't. I know the Standard signed a proposed settlement; came to us in written form; it was executed by the Standard.

Q. Was the Attorney, Mr. Gibson, of the Standard, present at these conversations? A. I don't think he was present but possibly once or twice, and he would come in and go out; Jack would go down to see him, load up with stuff and come back.

Q. Was any other attorney there for the Standard? A. No. I believe Mr. Campbell came down one time and was in the office a few minutes, but I never discussed settlement with Mr. Campbell that I have any recollection of. All our negotiations were with Mr. Martin and myself and Mr. de Meules and Mr. Shinners.

Q. On the whole, it is your position, Mr. Ramsey, is it not, that the Deep Rock was an instrumentality or adjunct of Standard? A. That is our contention, and I briefed that the

best I could, and that is what we are contending. I think there is some doubt about it, sufficient to justify settlement. I would not advise any sort of settlement that recognizes the entity of a separate refining company, and the Standard proposes to turn over the stock of the Refining Company, half Graf execute a deed to the cracking plant to the Deep Rock and the Refining Company and Bradstreet properties come back to the Deep Rock, where, I think, they always were.

I said that in my statement to the court there wasn't any kind of independent action by Deep Rock in the handling of its affairs, that it was all under the supervision, direction and control of Standard. I think I asked the witnesses that very question. It is our contention that the Standard employed first Byllesby & Company. I think Lynch employed Francisco, who had been with some auditing firm. He worked for the Byllesby & Company or the Engineering Company, I don't remember which now, for a month or six or eight weeks; they paid him, then they gave him a permanent job down here with the Deep Rock. He first stayed at the Deep Rock's offices in Chicago a year or so then they sent him down here. They are officers of the Refining Company. There is nothing in the record indicating any act of importance that was done by the officers of the Deep Rock without consultation or direction from Chicago. I don't think the Deep Rock's officers made any contract of particular importance without first advising with the Chicago office, Mr. O'Brien and Mr. Lynch, and they were the ones they mostly advised with. Mr. Gray, according to the evidence—he formed the Gray Committee, composed of himself, Riddle, and Francisco. They would go to Chicago once a month, talk over particular financial affairs; Standard agreed to let them have $50,000 a month to buy leases with, my recollection from the record, but I think the evidence shows that the Deep Rock entered into no vital contract or pursued any particular permanent policy without first consulting Mr. O'Brien and Mr. Lynch; but here is the question that Deep Rock had preferred stock outstanding, its common stock was practically all owned by the Standard, some of that stock that was owned by the Standard, some of that stock that was owned by individuals, and it gave some of the stock to the Deep Rock's officers, I think on a percentage basis, if they made certain profits they got some common stock. The record shows who the stockholders were.

Q. Judge Ramsey, did you give legal consideration to the proposition where a subsidiary corporation is wholly dominated by a parent company to the extent of being its instrumentality or adjunct, that under those circumstances the parent company is liable for the debts of the subsidiary? A. Yes, sir; got that question briefed.

Q. But you do not go further and seek to hold Standard liable for the debts of the Deep Rock? A. No, I don't think it prays for that. I think the assets are sufficient to pay that, the creditors should be paid, Deep Rock ten million; has got enough money to pay them. Ought to have about $1,000,000 in money pretty soon.

I don't know of any reason why there should not be a claim in this case made against Standard, not only that the claim that they make should not be allowed, but that they should be held liable for all debts of Deep Rock. I think I have got that position taken in my brief; insist on that very point. You remember Standard has an awfully big bond issue, several million dollars of outstanding bonds.

Q. So that if the Standard Company were held liable for the debts of the Deep Rock there would not be any question about there being sufficient funds to pay the preferred stockholders the full amount of their liquidating value? A. I think, as a proposition of law, if you get judgment against Standard, Standard would have a right to use all the assets of the Deep Rock to pay that judgment first.

Q. So that it is your position that Standard would be entitled to look to the assets first to the re-payment? A. I think the Standard would have the right to have these assets of the Deep Rock devoted to the payment of that $10,000,000 indebtedness. I don't know where that would leave the stockholders. That is a question I can't solve. It has been running through my mind.

Q. Have you any authority to support that position? A. What position?

Q. This last position. A. No, I haven't looked up that question. It just occurs to me that these creditors would have a right to—these ten million-dollar note holders have a right to subject these assets of the Deep Rock to their indebtedness, and I think the Standard's liabilities would be secondary when you go to paying it.

Q. Judge Ramsey, is it your position that if Deep Rock

was an adjunct or instrumentality of Standard, that in such event the trustee would have no claim against Standard for the full amount outstanding against Deep Rock? A. No, I don't take that position.

Q. What position do you take in that regard? A. I take the position if the Deep Rock is a department of the Standard, Standard's claim ought to be disallowed; that the ten million-dollar note holders come in, they are entitled to these assets, subject to their debts, which I think is entirely sufficient to pay them, and my curbstone opinion is a court of equity would subject these assets to payment of the $10,000,000. If that don't pay it, of course, they might get it out of Standard. You remember Standard has got an awfully big bond issue; several million dollars of outstanding bonds.

Q. The item of $752,647.10 owing to H. M. Byllesby & Company, what is your position in regard to that item? A. I don't recall much about that item.

Q. Were any proofs taken in regard to that item? A. I think so. I think Knourek testified to that item.

Q. Was it your position, in the course of this testimony or these proceedings, that that item was properly allowable? A. I don't think we objected to that item. We didn't know anything about it, they put some witness on the stand, I think Knourek testified about that item, gave the details about it. I don't recall it. There are hundreds and hundreds of these items in there and I can't recall all of them.

Q. Do you recall that that item includes many charges for allocation of salaries by Byllesby officials to Deep Rock? A. I think one of those claims in there has got some of those salaries in there charged to the Deep Rock; that sundry item to the Engineering and Management Corporation, $220,000 I think it is; has got part of Lynch's salary charged, part of Braheney's charged, four hundred some odd dollars a month; runs up to something like nineteen or twenty thousand dollars.

Q. Do you recall whether the H. M. Byllesby & Company charge includes that? A. I don't remember that.

Q. What is your position with reference to the two items of $143,425 and the other item of $168,775 that Byllesby & Company charged as services for securing this extension of the 1928 notes which never went through? A. Well, that $143,000 was entirely eliminated on this settlement and we made some investigation of the cost of getting those notes

renewed and decided that possibly we would not be able to sustain any objections to that claim.

Q. Either to the $143,000 or $168,000 item, is that it? A. I think so. Mr. Martin made some investigation about it. You better ask him what his investigations were.

Q. Did you make any objection to the item of $107,850.49 charged in 1922 by Byllesby & Company and paid directly by Deep Rock to them? A. Is that the organization fee?

Q. Yes. A. No, I don't think we excepted to that.

Q. You do object to the items of $1,655,981, dividends on preferred stock? A. I think we made objection to one item there. It has never been paid. $840,000, I think it is.

Q. So that you don't object to the full amount of the dividends on preferred stock? A. I don't think we object to them.

Q. How about the item of dividends on common stock, $1,946,000? A. No, I don't think we did. That is not in our objections, is it?

Mr. Martin: Yes. You are talking about the dividend that they took common stock for?

Mr. Honigman: Total $1,946,000.

A. You better ask Mr. Martin about it.

By Mr. Honigman: Q. The item of $451,237.33, that was charged by Standard for services in connection with the sale of Shaffer Oil & Refining Company in 1923, did you object to that? A. Who is it charged by?

Q. Standard, $451,257.33. A. I don't think so.

Q. You believe that was a proper charge? A. I don't know. That is such an old charge that has been on there I didn't object. I didn't want to dig that ancient history up.

Q. $176,000 charged by Standard for the acquisition of common stock of Home Oil Company did you object to that? A. I don't think we did. No, we didn't object to that. There was some proof taken about it; evidence in the record about it.

Q. Did you think it was a justifiable charge? A. Under the evidence I think so. I didn't object to it. You must remember a lot of those charges you are talking about there have long since been paid by common stock of the Deep Rock, which the evidence in this case shows was practically worthless.

I don't know whether or not settlements between Standard

and Deep Rock were at the discretion of Deep Rock. I think the Standard ramrodded those settlements. There was a resolution of the Deep Rock's board of directors, as I recollect, in the record somewhere, where they, leading up to the April 12, 1928, settlement—in which the resolution sets forth Deep Rock's indebtedness to the Standard of six million some odd thousand dollars, and that the Standard proposed to purchase common stock of the Deep Rock at $50 a share in settlement of that open account balance, also this $4,250,000 note of December 31, 1926, five-year note. We did object to the discount of that five-year note. The Standard only gave us credit—well, they discounted $170,000. We objected to that and asked in our claim that that be disallowed and stricken out. When the resolution was passed by the Deep Rock directors, that was directed and controlled by Standard. Standard always had the majority of Deep Rock's directors composed of Standard's directors.

Under the Sundry Expenditures item, Standard allows $1,087,569.57. I don't think we object to any particular item in that claim, but have it itemized as a circumstance showing how they operated the affairs of the Deep Rock. I think the only items objected to were two charges of $81,000 apiece for income taxes included in that figure.

Q. In December, 1930, there is a charge of $139,417.29 which is included in this total of sundry expenditures, which is a charge against Deep Rock to reimburse Standard, Byllesby Engineering, and Byllesby & Company for services of accountants and others in connection with purchase of Deep Rock properties in the year 1919, that appears by "Exhibit X of Knourek's Interrogatories". A. I don't recall that item.

Q. Do you have that item as an objectionable charge? A. I evidently did at the time I investigated. I don't recall it now.

Q. December, 1930, for services performed back in 1919. Do you think any of those discount charges on notes or note issues were justifiable? A. Well, those discounts were paid to bankers, weren't they?

Q. Some were, some were not. A. Well, I thought they were.

Q. Was there any discount paid to the bankers on the $4,250,000 note? A. No.

Q. Or the $1,057,000 note? A. I don't remember that note.

Q. That is eight per cent note shown in Exhibit A of Standard's claim. A. I don't recall that.

Q. $1,500,000 six per cent bond note? A. I don't recall that. We interrogated their witnesses about nearly all those items and I can't recall them now, their numbers or what they were. We asked them on the witness stand, pumping them to see whether we could dig up an objection, and where we don't object we evidently concluded there was no objection.

Q. Do you think it is fairly arguable, under all the circumstances in this case, that no interest charge whatever should have been charged by Standard to Deep Rock? A. No, I think the Standard had a right to charge Deep Rock interest. I found a case on that, and I didn't cite it in my brief either.

Mr. Gibson: I think you ought to be censured for that. A. (Continuing) I just didn't say anything about it. There is no use citing it, having it explained away; so I didn't mention it.

There is nothing in this record to show that the preferred stock ever did any voting. Nothing developed in the trial of this case that showed preferred stock ever voted. I don't recall any. I think I asked some witness, whether he had a proxy, they were going to have a meeting in Delaware; he said he didn't. I think it was Lynch. I don't know whether any preferred stockholders ever attended any meetings or not.

I think it is a debatable question that under the circumstances of this case all of the money that Standard put in the Deep Rock should have been considered as investments of capital. I think as a proposition of law, that if the Deep Rock is a department of the Standard, I think Standard's claim should be disallowed, and Standard should be liable for the ten million.

The Master: We will take an adjournment until two o'clock.

(Twelve-thirty P. M., March 25, 1935, the parties recessed until two o'clock P. M. this date.)

George S. Ramsey on examination by Mr. Martin testified:

I testified that in my opinion the Standard's claim, had this matter gone through to final determination, would have been allowed in an amount not less than approximately $3,200,000. In arriving at that figure that took in the Refining Company's properties and the Bradstreet properties and turned those

over to the Deep Rock. That is the result of stating the account beginning with April 12, 1928, settlement and does not allow the Standard anything by way of credit, for the $649,999 for the Bradstreet properties or the $1,894,000 and some dollars for the operation and addition to the Bradstreet properties and the cost of the cracking plant, but the other figure, which was about $218,000 larger, does reverse those credits and allow the Standard Two Million Five Hundred Forty-four Thousand some dollars, representing the cost of the Bradstreet properties in addition to the development and cracking plant, with five per cent interest from October 1, 1925. If you go back of that settlement of 1928 you get into a good many questions that might be hard to foretell how they would be decided. It was not the desire of the Trustee to cause a rescission of the April, 1928, settlement between Standard and Deep Rock, and that brings on the question whether or not Deep Rock's stock taken by Standard at $50.00 a share can stand at that, or whether or not this is equivalent to a suit to recover for stock never paid for, and that brings on the question as to whether or not that stock was worth anything. The common stock in 1928 was taken by the Standard at $50 a share, and we would have to contend that we were entitled to recover for that stock at $50 a share, if we go back of the 1928 settlement. With respect to Standard's control of the Deep Rock as to whether or not the Deep Rock operated as a separate entity and whether its properties were operated separately from the control of the Standard, I would say that it is Deep Rock property so far as the records show; was in the Deep Rock's name, separate property carried in the name of the Refining Company and R. J. Graf. I think Mr. Riddle was in charge of production operations and Mr. Gray and Mr. Moody were in charge of the refinery and cracking plant, and that the Standard handled the company's finances.

Q. But the Standard didn't undertake to tell the Deep Rock how to operate its properties? A. I don't think they did, because they swore themselves they didn't know anything about it.

I think the most feasible way of working it out is that the settlement of 1928 be allowed to stand.

George S. Ramsey, on examination by Mr. Gibson, testified:

The conferences, so far as the evidence discloses, were almost

entirely devoted to requests of the officers of Deep Rock for advances of money, or that was the way they always ended up, I think. My recollection is that the records show for a period of time, I don't remember how many months, Standard advanced $50,000 a month to Deep Rock for the purpose of buying and operating leases, but the Standard didn't undertake to tell, so far as the record shows, and I don't think they did, what leases to buy or where to buy them, but that was left to the judgment of Mr. Riddle, I think.

Q. Eliminating the Bradstreet properties, the cracking plant, and some properties which were involved in the so-called Deep Rock Refining Company property as being dissimilar to any other transactions, is there any record, or do you have any information, to the effect that the properties of Deep Rock were at any time or in any manner commingled with those of Standard? A. No.

The Master: At any time what?

Mr. Gibson: Commingled with the property of Standard in any way.

Ramsey continues: A. I don't think so. They all stood in the Deep Rock's name.

Mr. Gibson: Q. Were they commingled with the property of Standard in any way? A. I don't think so. They all stood in the Deep Rock's name.

Q. And they had their own separate bookkeeping accounts? A. Yes, sir.

Mr. McCune, representative of Peat, Marwick-Mitchell, audited the accounts dealing with Standard as they appeared on the books of the Deep Rock. While we were in Chicago taking testimony Mr. McCune spent some time in advance of the hearing in conference with Haskins & Sells who had audited the Standard's accounts. We sent McCune to Chicago to get there three or four days in advance of the arrival of Mr. Martin and myself. We were going to take testimony and Mr. McCune reported to us that he had done what we directed and had gone over the Standard's accounts and records with the Haskins & Sells man to see whether or not they tallied with the Deep Rock's accounts. We were advised by Mr. McCune and he so testified in this case that the two accounts were reconciled according to his examination of the Stand-

ard's books,—that both accounts tallied. Mr. McCune testified there was no conflict between the two accounts as they appeared on the books of the two companies.

Q. You testified this morning that the negotiations looking up to the compromise which has been offered here, were negotiated by Mr. Shinners, and that so far as you know, you thought, probably he represented the Standard people. I will ask if it is not a fact that Mr. Shinners has represented to you that he was a member of the Reorganization Committee and was appearing solely as a member of that Committee and did not appear and did not have any authority to appear for Standard. A. I think he did. He stated that he was not a member of the Standard.

Mr. Shinners was down here in February and came back again sometime the first of March, as I remember. After the memorandum of conversations between Mr. Shinners, Mr. Martin and myself had been written up and shortly after Mr. Shinners left town I had quite a serious spell of illness for several days and subsequent negotiations with regard to the compromise were largely conducted between Mr. Martin and Mr. Gibson, and they came out to my house to see me about it while I was sick. After the final draft of the compromise was made it was submitted to me by Mr. Martin after Mr. Gibson had left for Chicago to submit it to the Standard's officials. I suggested certain changes which were thereafter made. I have devoted a great deal of time to the investigation of both the facts and the law in this case for the past two years—the last year anyhow. I prepared an abstract of the record and brief as a result of my investigation of the law and facts. My abstract and brief discussed the facts as they were developed in the evidence. I also discussed at length the law as I found it with the exception of one case which was not in favor of the Standard but would have to be explained. I still recognize the fact that the matter of the ability of the Trustee to induce the court to hold that the instrumentality rule was directly applicable to this was still a question of doubt dependent upon the application of law to known facts, and that with that question in my mind I believe that the best interests of the estate would be served by advising the Trustee to agree to this compromise and recommend it to the court. That is a debatable question as to whether or not the Deep Rock is a department of the Standard. I don't find anything in the

record where the individual officers of the Deep Rock or Standard profited by these transactions. I think the leases were improvident. Eliminating all reference to the Refining Company's leases, I don't find any fraud. The question of loss or any charges or damages resulting to anyone have been entirely eliminated from the offer as now made. In other words, the property is treated as having been that of Deep Rock at all times, and the compromise merely asked for the return of the money actually invested in them.

George S. Ramsey, on redirect examination by Mr. Honigman, testified:

(In answer to the question as to what difficulties the witness contemplated in going back of the 1928 settlement, witness stated:)

I wish to state that if you cancel the lease you will have to cancel the alleged purchase of the Refining Company's stock, and I think a court of equity would give the Standard credit for $2,544,000 with interest from October 1, 1925. I looked up the authorities on that and I find where a plantiff successfully maintains a suit in equity to cancel a transaction where there is fraud, nevertheless the defendant is entitled to his money back. I don't know whether or not that is the only item I fear, but here is another proposition: If you are going to strike out those payments of engineering fees paid by Deep Rock's common stock at $50 a share, then this question arises: Was that stock worth that? In other words, if we pay $50 in cash to the Standard we would have the right to some of those items as payments, but when you try to recover on that stock at $50 a share the question arises as to whether or not it was worth $50 a share, and I don't think it was worth $50 a share at that time, 1928. I don't think anybody thinks it was worth that. My argument is that the Standard fixed the price at $50 and that it should be held to that price, but I don't know whether the chancellor would hold them to that or not. Of course if you knock out $18,000,000 of the Standard's account, it would be preferable to this 1928 settlement, but I don't know how you are going to do that. If this court holds that the Deep Rock is an instrumentality of the Standard and that the Standard's claim should be disallowed, that would be far more preferable than this present settlement of 1935. If on the instrumentality rule the Standard should be held liable for the debts of the Deep Rock that would be far

more preferable than this 1935 settlement. If the Deep Rock is a department of the Standard then there is no such thing as the relation of debtor and creditor between Standard and the Deep Rock. I did not testify that the Standard had nothing to do with the Deep Rock's operations other than financial matters, but I testified in my opinion from the record the Standard did not tell the Deep Rock what leases to buy but furnished the Deep Rock with $50,000 a month and I think the Standard and Deep Rock were governed by the judgment of Mr. Riddle and Mr. Lynch.

It is a fact that Mr. O'Brien and Mr. Lynch testified no important moneys were spent without the approval of the Chicago office; that is the Deep Rock would go to Chicago, get money from the Standard, borrow money, Standard knew what the Deep Rock was going to do with it or they would not loan it to them. Of oil leases, I don't think the Standard knew anything about them. I remember the testimony of Mr. O'Brien that no important moneys were spent or items approved without the approval of the Chicago office. I know that Mr. Lynch stated he kept in daily touch with the affairs in Tulsa, and the Gray committee would go to Chicago about once a month and report to Standard what they were doing. I remember Mr. Graf testified no new contracts or policies were entered into by Deep Rock without first consulting with the Chicago office. I remember that Mr. Cummins, who was President of Deep Rock for a couple of years, and also previously had been here as Vice-President, testified that he kept in almost daily touch with Chicago.

Q. Do you remember that the Standard officials claimed Cummins was the man who did know about the oil business? A. Yes, but his testimony showed he didn't know much about it.

I also remember that the record discloses probably hundreds of different expense items of the operations of Deep Rock that were paid directly by Standard or Byllesby Engineering or H. M. Byllesby & Company. Standard bought pipe and things of that kind. Standard paid for materials; for services of employees; for accounting fees, tax items; and for office rent in the Chicago Office. Standard did not pay the office rent down here in Tulsa.

I say that there is no evidence in this record, as I recall

it, and I had a pretty keen lookout to find any, of any actual fraud, except that lease. I think the lease is an unconscionable lease. I would call it a fradulent lease. I think it was fraud on the Deep Rock. I think those engineering charges were unjustifiable. I don't think there is any basis for them, probably referring to about—well, I figured it up on my brief, from what the testimony of the witnesses was, and it exceeded a million fifty-one thousand dollars and something, I think it is. You might call it a *Sraud* to divert the money. That is what we charge; divert the profits of the Deep Rock through the Engineering and Management Corporation. I think it was wholly unjustified. The Management Corporation has the same officers as the Standard, and both testified they didn't know anything about the oil business, and I can't find anything to justify allowing them one million dollars for advice when they hired Gray, paid him $35,000 a year. He was expert, they say that, in the management and construction of the refinery and cracking plant; hired Riddle, an expert, and Moody, who was an experienced refinery man. George Moore had been president after Cummins, then O'Brien succeeded Moore. I think the transfers of the Refining Company stock into Standard was a fraud on Deep Rock. We alleged that in our objection.

I was present at the consummation of the substantial basis for the present proposed settlement.

George S. Ramsey, on Direct Examination by Mr. Gibson testified:

Q. Mr. Ramsey, in your various incursions into the record in this case, did you ever have any witness refuse to testify, or indicate any unwillingness to give you full and complete information as to every part of the records connected with this case? A. No, no disposition to suppress anything; on the other hand, there was no disposition to volunteer information.

My interrogatories to Knourek, Francisco and Kerr were submitted to these witnesses and they answered them. That was done informally under an agreement with Standard's counsel. The balance due Deep Rock on its first mortgage executed in 1919 or 1920, with interest, was paid off out of the balance of the $10,000,000. note issue of 1928.

Q. Mr. Ramsey, I will ask you if it is not a fact that the

attitude of you and your associate counsel representing the trustee, and who have been active in this matter from the date of the institution of the receivership proceeding in recommending or advising the recommendation of the compromise, was to a considerable extent actuated by an opinion that a compromise and settlement of the litigation would be very beneficial to the estate of Deep Rock, rather than continue the course of litigation, with possible appeals and other delays. A. Yes, if I had not thought that, I would not advise settlement. I confess I reluctantly advised or talked about settlement in this case. It has been charged at one time that we were in collusion with the Standard. I think that was up here one time before Judge Kennamer; and I confess that I did not relish going into negotiations for compromise, very much preferred the attitude of letting the chips fall where they may.

I have never been employed by the Standard in any way in any case. I never had any business with the Standard or any Standard subsidiaries or anybody connected with it.

Standard's balance sheets show a funded debt of $73,649,500.00. The total liability of Standard and its subsidiary and affiliated companies as shown by the consolidated statements aggregates $1,196,937,780.52.

George S. Ramsey, on direct examination by Mr. Martin, testified:

If the court holds the instrumentality rule applies and that the Deep Rock is in fact an instrumentality of Standard, then the Deep Rock's assets would necessarily belong to the Standard. I assume that in the event the instrumentality rule applies the creditors would claim they had a right to pool all assets for the benefit of the Standard's creditors, including the assets of the Deep Rock. Under those circumstances I would not want to stand in the shoes of Deep Rock's preferred stockholders. I don't know what Standard stock is worth; don't know what it is selling for. I know it is way down. I considered the status of the Deep Rock's preferred stockholders in that event and what would become of Deep Rock's preferred and common stockholders, and I decided I could not locate them. I think such a situation has some bearing in making this settlement. It does with me, because I know under present conditions you go out to borrow $73,000,000. or $75,000,000. to refund bonded indebtedness, you are going to

have some trouble, and if they don't do that Standard is headed for receivership.

George S. Ramsey, on Redirect Examination by Mr. Honigman, testified:

I am not familiar with the plan of reorganization that has been proposed by the Committee. I read the first draft of a plan and had some objections to it. I have not read the last draft sent out to security holders—don't know what it is, not going to read it, because in my opinion the trustee has nothing to do with it.

Q. Are you familiar with this feature of it, that the Standard proposed to put out a note issue of $10,000,000 here and take no pay for this, but only preferred and common stock?

Mr. Campbell: If the court please, I object to that. That is an issue that certainly should not be injected here. Judge Ramsey has, I think, stated the correct position when he says it is no concern of the trustee what the reorganization is. This is a proceeding to try to determine the amount of the claim, or whether the Standard is entitled to anything, if so, how much. That is all this is. This has the effect of a litigated demand which we are now trying to settle.

Mr. Gibson: Reorganization is foreign to this.

Mr. Oates: If the court please, I represent the reorganization committee and would just like to suggest if you are going to litigate the question of merits or demerits of the plan, we will have to do so at the appropriate time, pursuant to notice of the court, when a plan is presented for confirmation: and I don't think it is appropriate or proper to go into those matters at this hearing.

The Master: It certainly would not be as a matter of trying to determine anything about the reorganization. I don't know what the gentleman expects to show. It might be the effect of this settlement with reference to those figures.

Mr. Honigman: I will state it upon the record, and I want anybody that does not agree with me to controvert it, that the reorganization plan, as proposed, proposes income debentures of $10,000,000; proposes the Standard shall get 25,000 seven per cent accumulated preferred shares, 390,000 out of a total of 520,000 of common stock. In other words, as far as debt liability is concerned, the reorganization plan places the note

holders ahead of Standard; so that from the standpoint of the noteholders it is no benefit to them to have approximately $3,000,000 allowed here on a parity with them and approximately one million and three-quarters put back of them, because on the proposed reorganization plan they had it better than that; they had the entire Standard claim put back of them; so that as far as this settlement is concerned, it does not help the noteholders. Now then, as to the preferred stockholders, it certainly does not help them, as appears from the record, that it puts approximately fifteen to sixteen million dollars of claims against the Deep Rock ahead of preferred stockholders. Now, if you are going to wipe out all of the remaining equity, which the testimony here so far discloses is the case, then it certainly does not help the preferred stockholders. If it does not help the note holders or preferred stockholders, whom does it help?

Mr. Oates: I think that is entirely argumentative, isn't it, your Honor?

The Master: That was my view.

Mr. Ramsey: I would like to answer the question. I examined the first draft of the proposed reorganization plan. I am very frank to say if I were a note holder I would not agree to it. It defers the notes for fifteen years; they don't have to pay the interest for five or six years, control that company, and they have fifteen years without paying interest on the note.

By Mr. Martin: Q. That is your opinion? A. That is my opinion. I don't care what the note holder does, when the trustee gets through they have their own case to look after. I don't own any notes.

Q. Mr. Ramsey, in that respect you are expressing your personal opinion? A. Oh, I am not expressing the trustee's opinion; never talked to him about it in my life, don't expect to. My advice to him is that he has nothing to do with it.

The Master: As the master understands the situation, the sole proposition that is up to me now for decision is whether or no on the whole picture it would be better to accept this settlement or fight the matter out at arms length to the end. I don't know anything about the reorganization and I don't want to get into that; don't think it has anything whatever to do with this matter that is before us now.

J. J. Shinners was called as a witness and on Direct Examination by Mr. Honigman, testified:

I am employed by H. M. Byllesby & Company. I am in charge of the corporation buying department. In other words, new investments.

Q. You are the chairman of the committee that is functioning in connection with the proposed reorganization plan here? A. I am.

Q. Who are your superior officers of Byllesby & Company? A. Mr. O'Brien, Mr. Graf.

Q. Mr. O'Brien is president of H. M. Byllesby & Company? A. Yes, sir.

Q. He is the same gentleman who is president of Standard, Byllesby Engineering and Deep Rock? A. I am not sure that he occupies all those positions, but that is the same gentleman, John J. O'Brien.

Q. Who else? A. R. J. Graf.

Q. He is the same gentleman that has testified in this case? A. Right.

Q. The same man who also claims to be trustee for the Standard on the cracking plant? A. I don't know that he claims that. That is the same gentleman that is in this record.

Q. Who else are your superior officers? A. B. W. Lynch.

Q. He is also the same man who has testified here in these proceedings? A. Yes, sir.

Q. When this committee was formed, who designated the men who would be on the committee? A. I invited them.

Q. You personally did? A. Yes, sir.

Q. Who invited you to invite them? A. No one suggested any names on the committee to me.

Q. Who suggested that you should be the gentleman to do the inviting? A. I suggested it to Mr. J. H. Briggs, head of the bonding department of the H. M. Byllesby & Company.

Q. Didn't you discuss the matter with your superiors at all? A. No, sir, discussed it with Mr. Briggs solely.

Q. It is a matter of which they should have any interest? A. They should.

Q. Just the same, none of your superior officers discussed it with you? A. Mr. J. H. Briggs is my immediate superior,

vice president in charge of the buying department I am in the buying department.

Q. Then you discussed it with Mr. Briggs? A. Briggs—B-r-i-g-g-s.

Q. What did he say about it?

Mr. Gibson: Oh, we object to that, if the court please. It is not an issue.

The Master: The matter of what occurred at that discussion, it does not occur to me ought to be put in this record. It is going into too many side lines.

Mr. Gibson: The reorganization isn't before this court at all; not even before Judge Kennamer.

The Master: I want to know about the compromise.

By Mr. Honigman: Q. How did you happen to come down to make these negotiations for settlement, Mr. Shinners? A. A committee of which I am chairman, with counsel, spent about two and a half years working on a plan of reorganization. We are literally deluged with letters as to why we are not ready to come out with a consummation of plan, and hopeful that there was some basis upon which these hostile proceedings might be compromised and adjudicated. I came down and interrogated the gentlemen present in these proceedings.

Q. Did you talk to anybody before coming down here about what you were going to try to do? A. Yes, sir, I talked to Mr. Oates.

Q. That is your counsel? A. Yes, sir.

Q. Did you talk to your superior officers? A. No, sir.

Q. Are you sure of that? A. I am positive.

Mr. Campbell: If the court please, this is going a little afar.

By Mr. Honigman: Q. Did you talk to any officers of the Standard? A. Some three months before I came down here I expressed the wish to Mr. Lynch that a settlement of the Standard claim could be effected.

Q. Did you discuss any terms upon which a settlement could be effected? A. No, sir. At the time I came here to discuss a settlement, approximately February 14, 1935, I had not discussed with Standard any terms that would be accept-

able to them in a settlement of their claim. When I came down on either the 13th or 14th of February, I saw Villard Martin. I did not see Mr. Gibson first before I saw him. I did not discuss the proposed terms of settlement with Mr. Villard Martin at that time. I asked him whether there was any basis at all on which an adjudication or compromise of the Standard claim could be effected. I think he was noncommital the first evening I talked with him. I believe I saw him the following afternoon; I believe Judge Ramsey was present at that meeting. I don't recall the entire conversation, but the subject of the discussion was whether or not a compromise could be effected. On the second afternoon we still didn't get to discuss terms. I believe the third day was the first time we discussed any terms. The third day that I was here I believe we agreed that I should return the following week, and I suggested that I bring Mr. Knourek with me at that time. When I went back to Chicago I then discussed with Mr. Lynch the wisdom and advisability of effecting a compromise, if possible. The second time I came down I didn't know what the proposed terms would be, but we agreed to a settlement. I had no authorization from the Standard to agree to that settlement; Mr. Knourek had no authorization. This memorandum that was written up on February 21 stated in writing what had been discussed. I don't think there was any agreement at all. I did discuss it with Mr. Gibson at that time. I did not know at that time whether the Standard would accept that proposed settlement.

John J. Shinners, on direct examination by Mr. Oates, testified:

The principal amount of notes deposited with the Reorganization Committee is $7,700,000. The number of shares of preferred stock deposited with the Committee at the time I came down here to talk settlement amounted to approximately 32,000 shares out of a total of 50,000 shares. After my conferences with Mr. Ramsey in Tulsa on my second visit about February 21, 1935, the matter of this settlement was taken up by Mr. Gibson and Mr. Campbell, Standard's counsel. I did not represent the Standard in negotiating the tentative compromise agreement with the trustee and submitted to the court for approval. The Standard was represented by its counsel down here in Tulsa. The proposed compromise with the trustee was submitted to the Standard's Board of Directors and to its Executive Committee.

John J. Shinners, on direct examination by Mr. Ramsey, testified:

Q. Mr. Shinners, I will ask you if it is not a fact, when you came down in February the first time and proposed to discuss compromise with Mr. Martin and myself, that we told you we would not discuss compromise or negotiations until all the evidence was closed in this case, and we prepared then to finish the evidence that day or next day? A. You did more than that. You told me Standard had no claim.

Q. I told you Standard didn't have anything to compromise. A. Yes, sir.

Something was said that there might be basis for settlement on what the Standard had actually paid other persons for account of the Deep Rock, that is paid out money to persons other than Standard or any Byllesby interests. Mr. Knourek made up a statement of those claims that had been paid by the Standard. That was the purpose of bringing him back the following week.

H. M. Byllesby & Company expended a good deal of money in obtaining an extension of $7,900,000 of the 1928 Deep Rock notes. It was a written contract between Byllesby & Company and Deep Rock entered into in 1932 authorizing Byllesby & Company to obtain an extension of the notes.

Q. Was that a reasonable charge of Byllesby & Company for their services? A. The answer is, we could not obtain underwriting of the notes when they matured.

I am familiar with the customary charges for services of that character. I believe the underwriting contract provided for four point, it might have been three, but I would say up to five or six point would be entirely reasonable. Anyhow, the Standard waived that $143,000 in this settlement proposed to the trustee.

(Mr. Honigman then argued as follows: That the testimony of the trustee, H. N. Greis, Mr. Gray and an independent audit would present a more complete record on which to determine the propriety of the compromise; that, however, the record as it stood was sufficient to show that Deep Rock was a mere adjunct or instrumentality of Standard and that on that basis the claim of Standard should be disallowed, and on the further basis that Standard had diverted the capital funds of Deep Rock; that

this is more fully brought out in our objections which we have filed; that the Reorganization Committee is as much an instrumentality of Byllesby & Co., and Standard as was Deep Rock; that preferred stockholders had no knowledge of any of these matters, but have been misled by what they think is an impartial Committee.)

Mr. Oates: Your Honor please, as Mr. Shinners has testified, the reorganization committee, which I represent, has been functioning in excess of two years in an effort to economically and as expeditiously as possible, consistent with the solution of these difficult problems, reorganize fairly for the benefit of the interested parties. In August of 1934 the debtor, under the provisions of Section 77b of the Bankruptcy Act as amended proposed a plan of reorganization, which was substantially in the form that had been developed during this period of two years work by my clients and our firm. That plan was permitted to be submitted to the holders of notes and the holders of preferred stock of the debtor, by order of Judge Kennamer entered in this proceding August 20, 1934. The plan as submitted was enthusiastically received by the note holders and preferred stockholders, to the extent that at this time there are approximately $7,700,000 out of $10,000,000 of notes on deposit and in acceptance of the plan, and approximately 32,000 shares out of 50,000 shares of preferred stock. Thus, upwards of 60 per cent of the preferred stockholders have accepted the plan and approximately 77 per cent, almost 80 per cent, of the note holders. We feel that our obligations to these people, who are now insistent on advice as to why progress should not be made, requires us at this hearing to respectfully submit that it is in the interest of those who have entrusted us with their securities that this practical, constructive step in the solution of these problems be taken by this court, and that the recommendation of this court's trustee and his counsel, that this compromise should be approved, should be accepted. If that is done, our firm plans to recommend to the committee, at an early meeting, that the plan of reorganization be modified somewhat and immediately resubmit to all of the noteholders and preferred stockholders, so that they may determine immediately whether or not they wish to accept or disapprove the plan, in the light of the actual determinatiton of the Standard claim on the basis of this compensation recommended and submitted by the trustee and Standard today. We want to add,

on behalf of these people, our sincere hope that the matter can be expedited and this practical step be done. We haven't taken a part in this litigation because, after all, this is a controversy between the trustee and Standard Gas & Electric Company. We are not familiar with all of the details, but we are confident from what we know of the record and from what has been said here today, and from the meager showing made by the objectors, in our humble opinion, that the compromise should be approved.

Hearing on June 3, 1935, Before Honorable Franklin E. Kennamer, District Judge.

A hearing was held on June 3, 1935, concerning the first compromise proposal on the claim of Standard Gas and Electric Company and the report of the Master on said proposal. Mr. Jason L. Honigman appeared for the Taylors, interveners; Mr. George S. Ramsey for the Trustee; Mr. N. A. Gibson for Standard Gas and Electric Company and Mr. James F. Oates, Jr., for the reorganization committee. Arguments were had on the exceptions of the Taylors to the report of the Master and the court took the matter under advisement. Briefs thereafter were filed. The court ordered a further hearing, which was held on September 23, 1935.

Hearing on September 23, 1935, Before Honorable Franklin E. Kennamer, District Judge.

Be It Remembered, that on this 23d day of September, 1935, the above-entitled and numbered cause came on for hearing on the objections of certain preferred stockholders to the proposed compromise of the claim of the Standard Gas & Electric Company.

Mr. Honigman: Your Honor please, substantially there isn't any difference in the situation from the time I last appeared before Your Honor, and I assume Your Honor has read the briefs that were filed, so that to go over those particular matters is a thing I don't believe will be of any particular help.

The Court: Your position is that I ought to deny this whole claim?

Mr. Honigman: Not only that the whole claim ought to be denied, but that Standard ought to be held liable for the di-

version of the capital assets of Deep Rock, which would make them liable on the figures ranging from ten to twenty million dollars.

The Court: You think Deep Rock ought to have a claim against them for about ten million dollars instead of them having a claim against Deep Rock?

Mr. Honigman: That is it exactly.

(Mr. Honigman then read a few of the letters written to his Committee complaining of Standard's mismanagement of Deep Rock. He pointed out that the reason his Committee did not have a greater amount of stock deposited with it is that the average holder of the preferred stock of Deep Rock knew very little of the merits of the case, had too little stock to make any sort of investigation; that the very fact that preferred stockholders are being wiped out by the compromise of the Standard claim without them objecting to it shows that the stockholders do not appreciate the facts in the case. He further argued: that there is no reason to compromise the Standard claim because all the testimony in the case was before the Master in February, 1935, after his hearing the case for nearly two years; that both sides have filed briefs; that the Master has everything before him and could easily make findings of fact on the validity and amount of the Standard claim, most of the testimony in the case being of an uncontradicted nature. The action of the Master was erroneous; he should have made a finding on the facts as to the merits of the Standard claim. Furthermore, compromise is not desirable here as it does not meet any of the objections of preferred stockholders and will not end this litigation. A decision on the merits of the Standard claim would end the case much more quickly than an approval of this present compromise. The Reorganization Committee was formed by the Byllesby group, who picked every member of the Committee and whose recommendation of this settlement, which squeezes out the preferred stockholders, favors only the Byllesby interests. This instant litigation is really a fight between the Byllesby group and preferred stockholders. Mr. Honigman then went into a detailed argument of the law to show that the *Instumentality* theory and other legal theories should be applied in this case to defeat the Standard claim. He analyzed the facts of the lease from the Refining Company to show fraud, mismanagement and the use of Deep Rock by Standard as an instrumentality. He analyzed and argued that

the same was true of the Management Company charges for services. He argued that the dividends declared by Deep Rock were fraudulent and constituted a diversion of its capital assets. He argued that the charges of H. M. Byllesby & Company for financial services were without basis and fraudulent, and constituted part of Standard's use of Deep Rock as an instrumentality for the sole benefit of Standard and the Byllesby interests. He argued that Deep Rock never had an independent voice, but was at all times entirely controlled, manipulated and directed by Standard and the Byllesby interests, and for their own benefits. He further argued that interest charges were without basis and fraudulent; that the public purchasing preferred stock were told, and statements published to the effect that the company was sound and earning money, whereas in fact, the company at all times was "one step ahead of the wolf" and its income tax reports showed losses. Mr. Honigman's clients, the Taylors, paid Forty-eight Thousand Dollars ($48,000.00) for stock whose par value was Fifty-five Thousand Dollars ($55,000.00), and others paid similar and higher amounts for stock in a company pictured to them as being sound and earning money.)

(Mr. Gibson then argued that the only items going into the compromise which is proposed that Standard will be paid for, consists of money actually paid out by Standard to other persons for the benefit of Deep Rock, and as to those, there cannot be said to be one bit of fraud in any way because those sums are ear-marked so plainly that it cannot be said that anyone has been defrauded. He further argued that there is no evidence in the case which shows that any statements were issued to the public as an aid to the sale of preferred stock; that it cannot be said that the relationship between Standard and Deep Rock was ever used to defraud any person, corporation, or otherwise.)

The Court: Now, Mr. Ramsey, can you give me any light on the case? to which Mr. Ramsey replied:

I believe I said before, and I think I can speak for my associate counsel, we don't care whether the court approves it or not. We have submitted it to the court, it involves a large sum of money, as the trustee says in his statement, and I want Your Honor to read that statement.

Thereupon Mr. Ramsey read to the court certain paragraphs

in the "Statement of Trustee," under date of August 23, 1935, addressed "To the Deep Rock Stockholders and Creditors." (Trustee's Exhibit No. 19.) Mr. Ramsey further said:

Now the Standard cannot maintain this claim for $9,300,000. That is self evident to me, and I don't believe Standard's counsel expect that. The Trustee points out in this statement the maximum amount that may be allowed by the court, excluding the proposition that we make, that the Deep Rock has been converted by the Standard into a department of the Standard.

The Court: Don't you think that is the record?

Mr. Ramsey: I am inclined to think it is, but it is a question of whether you want to pay $3,500,000.

After reading further extracts from the said Trustee's Statement of August 23, 1935, shown by Trustee's Exhibit No. 19, Mr. Ramsey further said:

Now I think Your Honor ought to take this abstract of record. I have made an abstract of the testimony. It is a long record, and if you believe that it is a department of the Standard you ought to disapprove this compromise. Now there isn't any doubt that the Standard has manhandled this Deep Rock. As Lord Broughm once said: "It was the proud boast of Augustus that he found a Rome of brick and left it of marble." The Standard found the Deep Rock an unsophisticated country maiden and left it a harlot. There isn't any doubt but what the Standard has absolutely manhandled the Deep Rock, and this proposition, this reorganization plan allows the preferred stockholders 50,000 shares of common stock. There are 50,000 shares of preferred stock outstanding. Now the preferred stockholders get 50,000 shares of common stock, that isn't worth any more than toilet paper. No wonder they are kicking about it. Now the wise thing to do was to set this down for hearing. You see when we had the hearing before the Master it was advertised in the papers, the Tulsa World and Chicago Tribune, and when it came up before Your Honor notice was given again. Now after they got actual notice here is what comes in. Of course there isn't any doubt that there is considerable force in the statement of counsel for the Taylors that a number of stockholders have remained silent rather than incur the expense of intervening. Of course the noteholders have nothing to complain about this settlement, and

naturally a lot of the stockholders wouldn't want to go to the expense of intervening. There are about $400,000 of preferred stockholders objecting out of five million, and of course if this compromise goes through there is little equity for the preferred stockholders; none for the common stockholders. Now the way this corporation has been manhandled, I want to call Your Honor's attention to this, when you approve this compromise you ought to have a string tied to it. There is a real feature to this refining company over here. Look at this map. In 1923 the Standard had the Deep Rock deed these little spots around where these red lines are; they deed that to R. J. Graf, Trustee, and on this part here constructed that cracking plant. Here in this prospectus is what they say when they sold these notes to the public. (Here reading from prospectus). Nothing in the record as to what they said when they sold the stock to the stockholders. Now they claim this cracking plant, which their own witnesses testify is necessary to this refinery, couldn't operate profitably without that cracking plant, but when it comes to selling $10,000,000 in notes where the Standard got the money itself and used it to pay Deep Rock's debts, if that is true, here is what they said when they sold these notes. They said the Shaffer Oil and Refining Company, incorporated in Delaware in May, 1919, "is a balanced, self-contained unit of the petroleum industry, embracing fully within its own organization complete properties and facilities for the production, refining, transportation and marketing of its products. The Company, through its marketing organization, has established a substantial business in the retail distribution of high-grade lubricating and other oils, gasoline, naphtha and other refinery products under its widely-known Deep Rock trade-mark and, in addition, has a large tank car distribution of these products." This cracking plant was standing in the name of the Deep Rock Oil and Refining Company. When they were selling to the public Deep Rock's $10,000,000 of notes they said this: "The Refinery, having a daily capacity of 10,000 barrels, is located at Cushing, Oklahoma, in the heart of the Mid-Continent field. It is a completely equipped plant, covering 391 acres, and includes a modern cracking plant, paraffin wax and lubricating oil equipment, and tank storage capacity of 2,315,000 barrels. Fuel requirements of the refinery are supplied by natural gas from the Company's own sources. The cracking process used is considered one of the most efficient known to the petroleum industry today." No man can read

that and then for a minute think the cracking plant did not belong to the Deep Rock, and yet they sold these notes in 1928 with that statement made to the public, and in 1926 they sold $7,500,000 of Deep Rock notes on a prospectus that contained that same representation. So it, of course, is quite evident that the court will decree the Refining Company and all its property belongs to Deep Rock. They sold these notes on that representation, and the refining company was organized as an agency, and there is no dispute, and that is conceded by these gentlemen and conceded in the reorganization plan, that all the property of the refining company should go to the Deep Rock. Now when you get down to all these various transactions, this lease back there in 1925, that $4,250,000 note referred to was executed in Chicago, the Standard gave the Deep Rock $4,080,000; they took off $170,000 for the physical effort of having their own officer sign the note in the name of the Deep Rock, and that was the only time the Deep Rock was ever in the black with the Standard, the Standard giving Deep Rock credit for that $4,080,000, and there isn't any doubt, * * *. Now the only question in the case,—the Deep Rock wasn't organized as a department of the Standard. It was organized by Shaffer, and as I stated here when this matter was up before, Mr. Shaffer nominated so many directors and the Standard so many, and they had a voting trust agreement which was to continue for a period of ten years, but finally in 1921 the Standard eliminated Shaffer, bought him out, and since then the Standard ran the thing to suit itself.

This Management Corporation, that is the same thing Congress has had in this holding company bill. These officers of the Standard didn't know they were doing anything wrong. Just like all these other public utilities were doing, the purpose is to make a fictitious overhead charge on public utilities in order to maintain their rates. Now this Management Corporation, the Standard owned all of its stock, said so in its annual reports. It received from that company over $23,000,000 in dividends, and the Engineering Company never had any assets except pencils and drawing tools, and this Deep Rock company made one hundred and ninety-two million and some odd dollars in thirteen years and its net profits was a little over ten million. Now that on its face shows that it has been manhandled. Talk about a corporation making one hundred ninety-two million plus in ten years and having only ten million dollars plus in net profits. That on its face shows it

has been run a harum scarum way. Now as I say I don't care whether Your Honor approves it or not. I wrote this Trustee's recommendation, and it is contained in three printed pages (Trustee's Exhibit 19), and that sets forth the issues on both sides and what might happen. Of course the Standard might be able to sustain its claim for five or six million dollars. Of course if that claim is allowed for six million dollars it is going to hurt. And if it is allowed for this $3,000,000 settlement as a parity with the noteholders, the noteholders will probably get their money and the stockholders may get something; that depends on whether the new company gets into new fields and finds oil. That is just a gamble in business; you can't tell about that.

The Court: You are just in the middle of the road.

Mr. Ramsey: Yes, sir. Here is the situation as the Trustee says in his statement. He said: "He has no bias in the matter. The Trustee did not initiate negotiations for a compromise and realizing his high fiduciary position he and his counsel refused to 'talk compromise' until all the evidence was introduced and the hearing before the Special Master was closed. On the whole he believes the proposed compromise is better than a continuation of the litigation." If it is going to be continued indefinitely just as well disapprove this compromise and let them fight it ont. The Standard offered the compromise and put the Trustee in a position of responsibility.

The Court: Here is the situation. You cannot get $10,000,000 noteholders and $5,000,000 worth of preferred stockholders, it is hard to get them to concentrate in a unified fight for their interest, whatever it may be. They are scattered all over the country. There is no doubt the Trustee and his attorneys in the administration of any estate has to start in and try to be fair. If they make any mistakes the court reviews it and sets it aside. Now there is no need to go any further with this argument. I am thoroughly convinced. I have been studying this case, and that is the reason I had it set down for further argument, my conscience wouldn't let me approve this compromise from just hearing the arguments. Here is $5,000,000 worth of stock outstanding; somebody got that money from the public. Now under this settlement, if I was to approve it, and in approving the plan of reorganization, I would just as well say to the stockholders, you are wiped out; you get a little piece of paper called common stock that I

wouldn't give one cent for. We had just as well start over, and if the Standard will submit a more fair plan of compromise,—they have got to give these preferred stockholders some better standing. I am not going to approve about $3,000,000 worth of Standard's claim on a parity with the first bondholders, or noteholders, and then approve another claim of a million and a half senior, because after you get past this three million, and from what I know of this company this $3,000,000 on a parity with ten million and interest * * *. You had just as well look the facts in the face. Now I will approve some reasonable amount, and it will have to be a compromise; it will have to be a concession. I will approve a very reasonable amount upon a parity with the noteholders, and then I will approve the balance on a plan of reorganization of their claim on a parity with the preferred stockholders. In other words, I will give them preferred stock, and the preferred stockholders the next place, next to the noteholders, but the Standard will have to take their seat right along with these people they sold their stock to. The evidence is overwhelming the Standard ran this company; they officered it; they capitalized it; it is just a child in their hands, and if there ever was a case the law is clear on, it is nothing in the world but an instrumentality, according to the admissions. Now I would like to see a compromise made, and I will approve a fair one. I don't think it is fair, you had just as well be frank about it, if I thought so I would say so, I have all the confidence in the world in Judge West, and I thoroughly believe he thought it was best to stop this litigation. Now if they will reduce that amount, I will give them a reasonable amount along by the side of the noteholders, but it will have to be a very reasonable amount. Then I will approve the balance on a reorganization on a parity with these preferred stockholders, and their preferred stock will go along with the others. Now I am just indicating to you the things I think will be reasonable, and maybe it will help you out, but if you cannot reach a settlement I will enter an order denying the claim on the ground that the instrumentality rule applies.

Mr. Gibson: You cannot do that, Your Honor, until the case has been tried. The Master has not made a report on the claim at all.

The Court: Understand this, Mr. Gibson, I would like to see

you compromise. I don't believe you have offered compromise enough.

Mr. Gibson: Well, the Trustee thought so, and his counsel thought so, and the Master thought so, and we have thought so.

The Court: All I want to do is get it up. If you cannot compromise it, let it be appealed. I am willing to let it be argued again on its merits. Suppose I give you ten days to get up another offer of compromise.

Mr. Gibson: You might give us ten days, but I don't know whether there will be any offer. Everybody is satisfied except these gentlemen.

The Court: What I am trying to get at, this stock to be issued will stand on an equal basis with the preferred stockholders. I cannot bring myself to approve the issue superior to the preferred stockholders. Of course that may be just their hard luck. I don't know, stock dealers get in trouble sometimes.

Mr. Oates: I want to say only one or two things, Your Honor. In the first place I feel it is my duty to the Committee that I have the honor to represent, to as emphatically as possible deny counsel's statement that the Committee is under the domination of H. M. Byllesby and Company. The statement was made that it was conceded that H. M. Byllesby and Company dominated the Committee. Now I happen to have represented this Committee since the date of its organization, and I know of my own personal knowledge that the statement is not true. I have attended the meetings and I know that committee is composed of independent gentlemen who have decided these questions to the best of their ability in furtherance of their independent conclusions.

Now the second subject that I want to say, in view of this announcement of Your Honor's decision on the proposed compromise of Standard's claim, and its relation to a plan of reorganization, so far as this Committee is concerned, we now hold and represent eighty per cent of the noteholders and sixty-four per cent of the preferred stock. It is a matter of secondary consequence to us what happens to the Standard's claim as long as something happens to it.

The Court: You want to get it out of the way?

Mr. Oates: We want to know who the people are that have claims or interest in this company, so that we may then sub-

mit to those interested parties a plan of reorganization that deals with their interest.

The Court: You know this, Mr. Oates, and I know you are a good lawyer, you know if I approve this compromise these preferred stockholders will just about be setting out on a limb.

Mr. Oates: If this compromise had been approved, Your Honor, I would have insisted the court should have approved a slightly modified plan of reorganization, which paid to the preferred stockholders ten per cent.

Mr. Honigman: Where have you been up to now, Mr. Oates?

The Court: Oh, now wait until he gets through.

Mr. Oates: I wish to say if the Standard's claim was entitled, because of its merits, to this court's approval on that compromise, and if the values of the properties are as I am advised by the officers of the trustee, there is no value to the preferred stock. Now after the Standard's claim has been determined, either as the result of approval of another and different offer of compromise, or as a result of the completion of the controversy in the courts, as to the merits of the claim, then a plan of reorganization can be submitted, either by the Committee I represent, or other interested parties, and when any plan has received the approval of the requisite percentage of creditors and stockholders it can be submitted to this court for his consideration. Section 77b, if the court please, is quite specific in stating that after a plan has been approved or accepted by two-thirds of each class of creditors, and a majority of each class of stockholders, it shall be presented for confirmation to the District Judge. Now there is only,—after a plan, if one be finally drawn after the claims have been determined and have been submitted and accepted by it and you get it before this court. So I say in my opinion this court should conclude as to what it proposes to do with the Standard's claim on the merits of the Standard's claim, and if the Standard's claim has no merit it should be denied and let the court of review pass on the question.

The Court: I am ready to pass on it when they get ready to submit it.

Mr. Oates: The point I want to make, until we know what

the Standard's claim is, just as well as we know what the $10,000,000 note issue is, and the $5,000,000 preferred stock issue is, and the value of the property is, we cannot intelligently submit a plan to the security holders, which is a primary step precedent to the submission of the plan to the court. I hope I have myself clear.

The Court: What I want to ask you is this. Now I have said I will be glad to see a compromise made, because that will end a lot of trouble.

Mr. Oates: Yes, sir.

The Court: But I cannot approve this.

Mr. Oates: I understand.

Mr. Oates: I cannot see the possibility of preparing a plan of reorganization which has as one of its contentions the compromise or disposition of a claim.

The Court: Now let me tell you something, you can never get a plan of reorganization approved by this court that will just put these preferred stockholders out in the cold. I am not going to do that. They put their money in there, and they are scattered all over the country and while it is true a small number of them is represented here, but I can see their claim very readily, and the equities under this whole picture, how the Deep Rock has been operated. Let's get right down, try to work it out, and treat them as fairly as we can under the circumstances. Now I don't want to do the Standard any injustice; they just followed the general method of doing business the last fifteen or twenty years. Just going on in the ordinary business-like way, but the house has fallen in and you have got to pick up the salvage.

Mr. Oates: I want to make one additional remark, Your Honor.

The Court: All right.

Mr. Oates: Our Committee concluded that Standard could justify its claim for $7,300,000. The justification of that conclusion, I think, is clear from the opinion expressed by the Trustee forwarded to the security holders. Now we prepared and submitted a plan which we said we thought would be justified if the Standard's claim was determined for at least $5,000,000, of which a substantial portion would be held as a

parity with the notes. If the Standard's claim had been approved by this court it would have met those conditions, and under those circumstances * * *. The aggregate of the note claim, plus the claim of Standard as adjudicated through the compromise, we feel the plan would have been fair to the preferred stockholders, because there would not have been any value to their investment. Now if the Standard's claim is for less amount, of course the plan can no longer be submitted. I want this court to appreciate we submitted a plan on the basis we had.

The Court: I am satisfied of that.

Mr. Ramsey: If the court please, if the Standard doesn't want to submit a new compromise then it will deny their claim, and if they submit one then we will submit it to the Committee and see what they want to do about it.

The Court: I want to give Mr. Gibson time to confer with his client and let us know.

Mr. Gibson: Yes, sir, I will do that right away.

The Court: Suppose I let the matter stand without a date. If you cannot compromise we want to get together and finally dispose of the claim on its merits.

Mr. Gibson: Yes, sir. I understand the order now is that the compromise as offered is rejected and the Master's recommendation will be overruled.

The Court: That will be the order.

Hearing Before Honorable Franklin E. Kennamer, District Judge, on December 12, 1936.

Counsel for the Reorganization Committee filed affidavits evidencing compliance with the order of the court entered on November 9, 1936, in reference to publication of notice and the distribution of the amended plan.

John J. Shinners, a witness on behalf of the Reorganization Committee testified on direct examination, by Mr. Oates:

My name is John J. Shinners. I live in Chicago, Illinois. I am the Chairman of the Reorganization Committee, the members of which have intervened as parties in this proceed-

ing. I have served as a member of and as Chairman of that Committee since about April, 1933. My occupation is the investment banking business.

I am Vice President of H. M. Byllesby & Company. At the time the Deep Rock Oil Corporation went into receivership early in 1933, H. M. Byllesby & Company, with others, controlled Standard, which owned substantially 98 per cent of the stock of the Deep Rock. Standard is now under the control of the Federal Court in Delaware under a 77b proceeding. The outstanding principal amount of debt of Standard is about Seventy-four Million Dollars.

The present officers and directors of Byllesby & Company have been different from the officers and directors of Standard for about the last ninety days. The inter-locking that formerly existed was removed to conform with the requirements of the Federal Acts and the Securities and Exchange Commission.

The signatures appearing on pages 12 and 93 of the Committee's Exhibit No. 1 are the signatures of the members of the Reorganization Committee. That is the original executed copy of the communication addressed by the Reorganization Committee to the security holders of Deep Rock under date of November 10, 1936, with the attached plan of reorganization as filed in its amended form on November 9, 1936, in this court. It also is an original executed copy of the deposit agreement dated August 9, 1934, as amended under date of November 10, 1936. On page 40 of that pamphlet begins the statement of the amended plan of reorganization which was filed in this court by the debtor corporation on November 9, 1936. I am familiar with the terms and provisions of that plan.

Since April, 1933, I have been actively engaged in the work of seeking to formulate a plan of reorganization for this company. The principal terms and provisions of the amended plan of reorganization as filed by the debtor corporation in this proceeding on November 9, 1936, is that the Ten Million Dollars principal amount of outstanding six per cent notes of the Deep Rock is to receive under the amended plan of reorganization Ten Million Dollars principal amount fifteen year six per cent cumulative income debentures, and $60.00 per thousand dollars of notes in cash, and four shares of common stock per thousand dollar note. Standard is to re-

ceive in satisfaction of its claim, if the compromise offer of Standard is approved by this court, 380,000 shares of common stock of the successor reorganized company. The present preferred stockholder, there being 50,000 shares of stock outstanding, is to receive two shares of common stock for each one share of preferred stock. The percentages of the distribution of the common stock of the company would be about 7½ per cent to the note holders, 73½ per cent, approximately to the Standard and 19½ per cent to the present preferred stockholders. The amended plan provides that so long as there is an amount greater than Five Million Dollars of the new fifteen year six per cent income notes outstanding, that the affairs of the company shall remain under the jurisdiction of this court. The new company beginning from its organization shall be under the jurisdiction of this court, and this court shall appoint the Chief Executive officer of the company, and fix his compensation. With further respect to the income debentures it is provided under the plan there shall be no dividends declared until the debt has been reduced to Five Million Dollars. It provides that after the payment of interest at the rate of six per cent per annum, all balances of available net income shall be applied to a sinking fund for the retirement of debt until the debt has been reduced to Five Million Dollars. There shall be one dollar applied to sinking fund for the retirement of debt for each dollar that is paid in common stock dividends. While the original plan of 1934 provided for Two and One-half Million Dollars of new preferred stock for Standard, there is no preferred stock provided in the amended plan of reorganization filed November 9, 1936. The amended plan on page 55 of the pamphlet provides protection by various provisions for the income debentures in connection with the administration of the affairs of the new company. It eliminates Standard, and the officers of the Standard from receiving any compensation whatever in respect to the operation and affairs of the Deep Rock. The much disputed item of rental in the Standard claim is eliminated entirely in the future, and the Standard is contributing the assets of the Deep Rock Oil Company to Deep Rock Oil Corporation in connection with the settlement of this claim.

Since November 9, 1936, when the amended plan of reorganization was filed by the debtor, modifications of that plan have been filed with the court pursuant to the order entered November 9th. As chairman of the Reorganization Commit-

tee, I have given study to the various suggested modifications filed by the various parties in interest. The Committee itself filed, pursuant to the court order, suggested modifications of the amended plan. This document which purports to be an exact copy of the modifications suggested by the Reorganization Committee and filed with the Clerk of this court and Mr. Greis pursuant to the order of November 9th, contains the suggested modifications recommended by the Committee to the court. One of the *modificarions* treats entirely with respect to accounting, and the modifications were adopted by the Committee as a result of the suggestions of the chief accountant of the Deep Rock Oil Corporation, W. R. Francisco. Included in those modifications there is a suggested modification that the new company be permitted to declare capital stock dividends. The Committee feels that the new company should have the right to do so inasmuch as the declaration of payment of stock dividends would be fair in that they would be distributed pro rata to all stockholders and might relieve the company of substantial income tax payments which they might be obligated to pay under the new corporate surplus tax. The new corporate surplus tax, the recent act of Congress taxing undistributed earnings, had not become law at the time the amended plan as filed November 9, 1936, was originally formulated and submitted by the Committee to this court. As Chairman of the Reorganization Committee, I have reported and discussed with the other members of the Committee these suggested changes in reference to the accounting provisions of the plan and can state that each memeber of the Reorganization Committee joins in recommending to the court that those changes be made.

I have studied the various suggestions of modification filed by the note holders in this proceeding, including the changes and modifications filed by the Pitcairn Company and the Philadelphia Investment Corporation, note holders transacting business in Philadelphia, Pennsylvania. The circumstances under which the Pitcairn Company and the Philadelphia Investment Corporation filed additional suggested modifications are as follows. Mr. W. H. Donner of Philadelphia informed me two weeks ago last Thursday that the Provident Trust Company of Philadelphia had called a meeting of several of the investment bankers and commercial banking institutions, and known large note holders of the Deep Rock. The purpose of the meeting was to discuss the amended plan of reorganiza-

tion which certain officers of the Provident Trust Company thought was unfair with respect to treatment to note holders. Such a meeting was held two weeks ago yesterday. I was in New York and went over there to Philadelphia and met with Mr. Donner two weeks ago today. Mr. Donner told me of the various suggestions and modifications which were determed by the group that met at the Provident Trust Company, and we discussed them in considerable detail. I told Mr. Donner that I thought it would be most unfortunate if anyone insisted that this company distribute Two Million Four Hundred Thousand Dollars at this time to the note holders. I thought, however, there was a lot of merit in the position taken by the note holders with respect to the sacrifice they were asked to make by foregoing approximately a Million and a half Dollars of back interest, and that I was willing to recommend to the Committee that I was prepared to recommend to Standard that the plan be modified to provide for a further cash distribution at the time of reorganization of Six Hundred Thousand Dollars or One Hundred and Twenty Dollars per Thousand Dollar bond instead of the Sixty Dollars provided in the amended plan. We discussed in considerable detail all of the various suggestions made by the Provident, among which were included a proposal that part of the depreciation and depletion fund be applied to the retirement of debt; that it be definitely ear-marked for the retirement of notes. I told Mr. Donner I thought it was a very unsound suggestion; that I knew it would be greatly opposed by the Trustee and by Standard. That however in an honest endeavor to meet the suggestions that were made by the interested parties, which we knew were made in good faith, that I thought the sinking fund might be improved in my judgment by the application of all balances of available net income to the retirement of debt until Five Million Dollars of debt had been retired instead of the application of only half such amount, as provided under the amended plan. In endeavoring to reach an agreement with Mr. Donner with respect to the amount of cash to be distributed, I told him I was prepared to state to Standard and to the Committee that this plan was substantially agreed upon by the Committee as of January, 1936, and the Committee at that time was hopeful that the company would be reorganized sometime early in the year 1936, and that had it been reorganized early in the year 1936 interest at the rate of six per cent per annum from that date

until the present time would have been paid to the note holders, inasmuch as it was earned under the earnings as described in the plan available for the payment of interest. Mr. Donner said that there was, of course, no assurance that the plan was going to be confirmed at this time, and therefore he thought we should preclude the possibility of differences arising in the future should there be a further delay, and I told him that I thought we could cure that possible fault by modifying the plan to provide in addition to the One Million Two Hundred Thousand Dollars, which it was contemplated should be distributed at the time of the reorganization, that note holders should receive an additional amount equivalent to six per cent per annum, at the rate of six per cent per annum on the Ten Million Dollars principal amount of notes outstanding from January 1, 1937, to the date of the new income debentures. I returned to Chicago on Saturday afternoon, and I called Mr. Donner on Monday and asked him if he had had opportunity to discuss the matter with any of the interested parties in Philadelphia; he told me he had discussed it with a Mr. Brown of Pitcairn Company, and with the President of the Philadelphia National Bank; that he had been unable to get in touch with the President of the Provident Trust, and that unfortunately he had to leave that afternoon for Boston from where he was to return on Wednesday. He told me that those people with whom he had discussed the plan had agreed with him that the modifications which I have just described which I said I would recommend to the Committee for adoption and the Standard was acceptable to those people, and cured in their opinion the objections that they had with respect to the treatment accorded note holders. The matter has been fully discussed with each member of the Committee, and the Committee recommends that the modifications as suggested in the petitions filed by Pitcairn and Company and the Philadelphia Investment Company be adopted. Mr. Donner owns and has on deposit approximately Eight Hundred Thousand Dollars of notes.

Q. Was the filing of this application for modifications, suggesting the three modifications that you have outlined, first, the increase in cash distributed to the note holders; second, the change of the sinking fund; and third, for the payment of interest annually at the rate of six per cent if there is a delay in effecting a plan after January 1, 1937; were those filed in

this proceeding with the knowledge and at the suggestion of Mr. Donner? A. Yes, sir.

Q. Did the Pitcairn Company and the Philadelphia Investment Corporation withdraw the notes that they had on deposit? A. They did, two hundred and fifty thousand dollars worth.

Q. They withdrew those notes and filed these modifications. A. Yes, sir.

Q. Did you play any part in the recommendation of counsel to the Pitcairn Company to represent them? A. I did.

Q. Will you please state the circumstances? A. Mr. Donner told me that Mr. Brown had asked him whether or not it would be necessary for the Pitcairn Company and the Philadelphia Investment Company to have counsel represent them in this proceeding. I called you on the telephone, and you told me you thought they should. Mr. Donner said the Pitcairn people didn't know any counsel down here, and asked me if I would write the Trustee for some counsel, recommended by the Trustee direct, to represent the Pitcairn interests. The Trustee's counsel suggested Mr. Doerner.

In order to sum up and clarify this testimony the amended plan filed November 9, 1936, provided for the payment of Thirty Dollars in cash to each holder of a Five Hundred Dollar note, an aggregate of Six Hundred Thousand Dollars. The group of note holders called together by the Provident Company thought that they were entitled to receive full interest, which would be in excess of Two Million Dollars. After consulting with the Committee, I was prepared to recommend that the plan be changed in accordance with the modification filed by the Pitcairn Company to increase the Six Hundred Thousand Dollars to One Million Two Hundred Thousand Dollars. Approximately Seven Million Nine Hundred Thousand Dollars of notes, and approximately twenty-nine thousand five hundred shares of preferred stock have been deposited with us as of the close of business last night. That is a little less than eighty per cent of the notes, and a little less than sixty per cent of the preferred stock which is net after all withdrawals that took place between November 9th and the dead line fixed by the court order of December 5, 1936.

I am familiar with the market price and the trading conditions of these Deep Rock Securities during the time that this corporation has been in receivership and in bankruptcy. The

notes have sold at a low of somewhat less than twenty; some figured between fifteen and twenty during the early part of 1933; since that time there has been a gradual but sustained advance until the price last week was between ninety and ninety-two. The preferred stock sold as low as a dollar, and last week was traded in between twenty-eight and thirty-two, sales taking place as high as thirty-one and thirty-two. During the period of the receivership and during the period of the 77b proceeding of Deep Rock, the trading has been very substantial with respect to the notes, and less amount with respect to the preferred stock. There has been extensive dealing with respect to both, but more pronounced in the notes.

The pamphlet, Committee's Exhibit No. 2, which contains in the first part a letter addressed by the Reorganization Committee under date of August 21, 1934, to the security holders of Deep Rock, is a copy of the first communication that was addressed by the Committee. The matter appearing on page 17 reads in part that Mr. John J. Shinners, as chairman of the Committee, is a Vice-President of H. M. Byllesby & Company, which is closly affiliated with, and jointly with other interests controls Standard. Then it goes on and tells Byllesby & Company's connection with Deep Rock in the marketing of securities. And it goes on in pages 17 and 18 and describes the connection of every member of the Committee with Standard and Byllesby. That full statement was made by the Committee in its first communication to the security holders and that was the original plan of reorganization proposed in August, 1934, and the original deposit agreement approved by the order of the court as to its terms and conditions on August 20, 1934. The printed letter marked Committee's Exhibit No. 3 is a copy of a letter addressed by the Reorganization Committee under date of November 30, 1936, to the security holders. It quotes from Moody's Investors Service of New York, and from Standard Bond Investments, published by Standard Statistics Company, Inc. Moody's Investors Service is a financial service that is subscribed to by, I believe, every financial institution in the country, commercial bankers and investment bankers, and by thousands and thousands of individuals who seek the advice of a disinterested party with respect to investments. Standard Statistics Company, Inc., is identical. We quote from Moody's in this letter: "We do not recommend the withdrawal of previously deposited securities, and think that *whose* who have not deposited might well so do

in order to expedite a settlement of the complicated affairs of this Company, which have too long been in process of readjustment." We had nothing to do with the decision of Moody's or Standard Statistics in making those releases. I believe the amended plan of reorganization, as further modified in the particulars I have described; first, the accounting provisions filed by the Reorganization Committee; second, the modifications filed by the Pitcairn Company, is a fair and equitable plan to all interested parties, on the assumption that the Standard claim is compromised in accordance with the proposal filed November 9th. It cannot now be known who is going to control Standard at the conclusion of its 77b case.

Mr. Oates: In order that the record may be clear, I formally offer the exhibits that have been marked, Your Honor.

The Court: They may be introduced.

John H. Shinners testified, upon cross-examination by Mr. Honigman:

I have been with Byllesby & Company since 1924. I started with Byllesby & Company as a salesman in the wholesale department. My job was the wholesaling of investment securities to dealers. I handled the territory from the Ohio River to the Pacific Coast; called on dealers in all the larger centers. The business of H. M. Byllesby & Company was at that time the investment banking business. They underwrote securities and sold them to the public. They also own securities on their own account. Among the securities that they owned was the interest in Standard. They owned the majority interest prior to 1930, a controlling interest. Byllesby & Company as such did not operate the Standard. It was in the nature of an investment, an investment in stock of the Standard. Standard in turn was a holding company of various subsidiaries.

At the time that I came with Byllesby & Company they did an extensive marketing of the security business. I would say Byllesby & Company did very extensive business of that kind; upwards of twenty-five million of securities marketed every year. Among the securities that Byllesby & Company marketed were the securities of the Standard and the securities of the Deep Rock. Byllesby & Company had branch offices throughout the country, about ten of them. They covered pretty widely the entire business territory east of the Mississippi River. We had no offices west of the Mississippi, or south

of the Ohio, but did cover the territory of the United States east of the Mississippi and north of the Ohio. That is where the majority of the financial business is done. We did a considerable amount on the Pacific Coast through dealers. On the Pacific Coast we dealt with dealers who in turn sold securities to the public. I don't know whether we sold any of the securities of the Deep Rock on the Coast or not. I do know that Byllesby & Company sold to the public the major portion of the ten million note issue that is now involved. In fact they were one of the underwriters of that issue. I don't know whether they had the largest interest or not. They headed the amount. Byllesby & Company also had something to do with the marketing of the preferred stock. They were one of the underwriters of the preferred stock, and also headed that account. It is my recollection that the notes were sold at 99½. I absolutely don't know, but my judgment is that the preferred stock was sold to the public in the high 90's at the time of the original offering. I don't recall the year the preferred stock was offered. The notes were offered in 1928. You understand that H. M. Byllesby & Company is an investment banking institution, has probably traded in and dealt in twelve million of these ten million dollars of notes over a period of the last six or seven years, and we have sold hundreds of thousands of them to investors between 20, 30 and 40. So that Byllesby & Company, in addition to selling the original issue, continued to trade in both notes and preferred stock, subsequent to their original issue. It is customary for every banking house to do that. Every banking house does that. And we followed the general custom of dealing in the securities we sold to the public. It is absolutely correct that during that period, and in fact up to the point of receivership, and since the receivership, Byllesby & Company has been dealing in both notes and preferred stock. I don't know that they have been the largest individual dealer in those securities. I don't think its customary in the trade, the investment bank, that is the issuing house, is the largest dealer. Very often some other house will take over the market. I don't know the extent of these other houses' dealings in Deep Rock securities. I know there has been a trade market in the notes, but I don't know the extent of dealing of other houses.

In the course of dealing in these securities Byllesby & Company sells to customers. In a trading position they will also buy for their own account occasionally, they will have fifty

or seventy-five notes. Every house that maintains active market securities buys securities for their own account from day to day. I don't know that we have owned any of the preferred stock. We might have fifty or seventy-five shares from day to day. Our trade has been rather small in the preferred stock. In dealing with security holders Byllesby & Company deal both as agent and principal in the sale of these securities. I couldn't say as to what percentage of time they acted as agent and what percentage of time as principal. In underwritings we always act as principal. On resales we might act in either capacity, we have acted in both capacities.

Q. So if you buy a note at a price of thirty, a thousand dollar note at Three Hundred Dollars; does that mean you sell it to the person that buys it at a commission basis, or sell it on a flat price? A. We might do either.

Q. Is there anything to stop you from selling that note for Four Hundred Dollars. A. No. Our conscience might bother us.

Q. Have you been bothered very much? A. We haven't done that.

Q. You haven't done that? A. We haven't bought at Three Hundred Dollars and sold at Four Hundred Dollars.

Q. What did your conscience permit you to take as a profit? A. The market value.

Q. If you bought a note one day at Three Hundred Dollars, and a week later the market value was Four Hundred Dollars, you would expect to get Four Hundred Dollars for that note? A. We would probably sell it on the market, if we held it that long.

I don't know that there have been fluctuations of that kind in these notes during the course of a week. I would have to check the market. I kept pretty close tab on the market, but I don't know there was a ten point advance in any one week. Seventy point advance over six years. Most of that advance has not taken place in the last year. My guess is that there has been an advance of twenty-five points since the first of this year (1936). In other words the first of the year these securities were selling in the seventies.

Q. They were selling in the late forties the first of the year? A. I don't think so. I don't know.

Q. Have you any opinion on that, as to what the price of these securities were the first of the year? A. No, sir.

In any event if the price went up within a week, our conscience would not bother us to take the present market value.

The Court: Mr. Honigman, has this anything to do with whether it is fair, or unfair?

Mr. Honigman: Your Honor please, I intend to show that the Byllesby & Company has controlled the Standard. I intend to show what the connection with the Byllesby & Company is with this situation, and what manipulation they have had in connection with the securities of the Deep Rock; and I also want to show that they have proceeded to take all action in the controlling of the plan of reorganization, and that they have purposely made the plan of reorganization unfair to the security holders and fair to themselves at the expense of the security holders.

The Court: Go ahead.

Witness): During the time that I was with Byllesby & Company, I knew that their chief offices were in Chicago, Illinois. And in those same offices, on that same floor, was Standard Gas & Electric Company. I don't believe Deep Rock had its offices on the same floor. They had an office on Adams Street prior to 1932, and since that time have been up to 155 North Clark Street. The top officers of Byllesby & Company during the time I was there were Mr. Byllesby, who died in 1925, and Mr. Huey, who became Chairman of the Board on the death of Col. Byllesby, and who died in about 1926 or 1927. Then I believe it was Mr. O'Brien who became President at the time of Col. Byllesby's death, and Mr. R. J. Graff became Executive Vice President. The other vice presidents were Mr. Corns, Mr. Cummins, Mr. Lynch, Mr. Briggs, and Mr. Morrison. These same men were the general officers of H. M. Byllesby & Company. Some of them also officers of the Standard. The chief officers of Standard were Mr. O'Brien, Mr. Lynch and Mr. Graff; they were officers of Byllesby & Company and also officers of Standard. They were also the chief executive officers of both companies.

Q. And they were also the chief executive officers of the Deep Rock with the exception of the operating man, Mr. Gray? A. I don't know what position they occupied with the Deep Rock.

I probably have seen their position as officers. I know they were directors, Mr. O'Brien, Mr. Graff and Mr. Lynch.

In connection with the Standard claim I had occasion to go into the question of who were the officers of the Deep Rock. I don't know which one was President and Vice President. I know they were all officers, but what position, I don't know.

I started off in 1924 as manager of the wholesale department of securities, and continued at that position until about 1926. I went into the buying department. This is the originating of new business. I am still in it. I had no official title with the company prior to 1930. In 1930 I acquired the title of Vice President. As a Vice President my immediate superior officers were Mr. Briggs, Mr. Lynch, Mr. Graff, Mr. O'Brien, Mr. Morrison. They were my chief officers in 1930, 1932 and 1933. Until the death of Mr. O'Brien a few months back, they were the total of my chief superior officers to date. And are still today with the exception of Mr. O'Brien and Mr. Lynch. Mr. Lynch is not an officer of H. M. Byllesby & Company today. This occurred some several months past. Shortly after Mr. O'Brien died. At the same time Mr. Morrison ceased being an officer of Byllesby & Company. When this Reorganization Committee of which I am Chairman was formed, I first suggested the formation of that Committee to Mr. Briggs. The conversation in which I suggested that to Mr. Briggs took place right about March 1, 1933. At that time I suggested to Mr. Briggs the formation of this Reorganization Committee. The reason why I happened to suggest it to Mr. Briggs at that time was that H. M. Byllesby & Company had sold a very substantial amount of both notes and the preferred stock, and I thought it was our duty, inasmuch as a Receiver had been appointed for the company, to form a Protective Committee, or Reorganization Committee, for the purpose of obtaining the best possible treatment for the holders of securities. The reason why I happened to talk to Mr. Briggs was that Mr. Briggs was my immediate superior in the Bond department of H. M. Byllesby & Company. Because Mr. Briggs was my immediate superior, I thought it necessary to take the problem up to him. Mr. Briggs agreed with me. We further agreed that in the formation of a Reorganization Committee we were to obtain people so far as we possibly could who had no interest or association with H. M. Byllesby & Company or Standard, recognizing the two institutions that had been associates

in the underwriting should have representation on the Committee, that being Janney & Company and Federal Securities Corporation. We felt the same way with respect to engaging counsel to represent the Committee. We wanted counsel that had not been counsel for H. M. Byllesby & Company or Standard.

Q. Who picked the men to be the other members of the Committee? A. I believe our New York office suggested Mr. G. M. P. Murphy.

Q. Who picked the other men? A. I think I invited Mr. Frye and Mr. Robertson.

Q. So that between you and Byllesby & Company, the entire Committee personnel was gotten together, is that correct? A. That is absolutely correct, yes, sir.

At the time that we first wrote a letter to security holders there were no other Committees in the field. The first letter that my Committee sent out to the security holders was in August, 1934.

Q. Wasn't there a letter prior to that time, Mr. Shinners? A. I frankly don't recall. I believe there was.

Q. Wasn't there a letter in the early part of 1933, telling the security holders about the formation of the Committee? A. About the formation of the Committee.

Q. Since about August, 1934, the Committee proceeded to ask for deposits of securities of Deep Rock, is that right? A. That is right.

Q. Your counsel just calls to my attention, Mr. Shinners, that in Committee's Exhibit 2, which was the original plan of reorganization sent to security holders, on the first page of it you refer, "in our letter of April 25, 1933, you were advised of the creation of this Committee," so apparently you sent out a letter in April, 1933? A. That is right.

Q. But you didn't solicit any deposits then? A. No sir, it was the announcement of the formation of the Committee, as I recall.

We proceeded to solicit the deposit of securities under the terms of the deposit agreement and plan set forth in Exhibit 2 along in August, 1934. In January of 1935 we had on deposit approximately something in excess of five million dollars; probably as much as six million dollars. As to the percentage

of preferred stock I would have to say approximately twenty or twenty-five thousand shares. That is my recollection.

Q. At the hearing of March 25, 1935, which was the hearing before the Special Master on the first compromise proposal, at that time did you not have about seventy per cent of the notes on deposit? A. I stated I didn't recall the amount.

Q. And about sixty per cent of the preferred stock? A. I made that statement at that time, and that was the amount we had.

When I first got into this situation I realized that the crux of the Deep Rock is the question of the validity of the Standard claim. It is correct that, depending upon whether or not Standard has a claim, depends the entire form and substance of any plan of reorganization that is to be submitted.

Q. So that the determining of the validity and propriety of the Standard claim became the first order of business of your Committee, did it not? A. A consideration of the claim became one of the first orders of business of the Committee.

Q. And you had to do something more than consider, did you not? A. No, as far as the Committee was concerned, the Committee made its investigation along its own lines, with the aid of its counsel, and with the aid of the accountants, and reached an independent determination with respect to the amount of the Standard claim that eventually might be sustained.

Q. At the time that you first went into the picture did you know about the charges of fraudulent mismanagement that were made against Standard? A. I know of the petition that was filed at the time of the appointment of a Receiver, and the allegations contained in that petition, yes sir.

Q. You knew that? A. Yes sir.

Q. And that petition was filed February 28, 1933, was it not? A. I believe that was the date, yes sir.

Q. So that on March 1, 1933, when you first talked about the formation of this Committee, you knew then that the major consideration of the Deep Rock would be the validity of the Standard claim? A. I believe so, yes sir.

Q. Now then after going into the situation, you found the nature of the charges, the specific charges that were made against Standard as a ground for disallowing their claim? A. I knew of them, yes sir.

Q. Tell us what were the major objections to the Standard claim? A. The Committee made no objections to the Standard claim in the court. The Committee reached a conclusion with respect to the claim.

Q. We know the Committee could never object to the Standard claim, but we want to know what objections were raised by others to the Standard claim, if you know?

Mr. Oates: That is in the record, Your Honor, and I object to it.

Mr. Honigman: I am asking this witness for his knowledge.

The Court: I will let him answer, if he knows.

A. I know there were general objections made by counsel for the Trustee. I know you subsequently made objections, but they were based on the so called theory of law of instrumentality.

Q. Wasn't there anything more specific than the law of instrumentality mentioned in the objections made there, Mr. Shinners? A. There was an objection with respect to the rental charge.

Q. And what was said about those rental charges? A. They were excessive, and should not have been any charges at all.

Q. Was the word fraudulent used in connection with it? A. I believe it was, yes sir.

Q. And those charges comprised a total of approximately four and a half million dollars, exclusive of interest, did they not? A. From the inception of those rental charges I believe there was approximately that amount.

Q. And in addition to that there had been seven per cent interest on those charges as they were charged monthly? A. That is right.

Q. Compounded on daily averages, is that right, monthly? A. Yes sir.

Q. At seven per cent? A. That is right.

Q. Over a period ranging from 1925, is that correct? A. That is right.

Q. That made a very major portion of the Standard claim did it not? A. No, not as that claim was filed. The claim was filed for nine million three hundred odd thousand dollars, and all accrued from April 1, 1928, about April 1st.

Q. As a matter of fact the form of the claim as filed, did that specifically say they were claiming from April of 1928? A. The claim as filed?

Q. Yes, by Standard? A. My recollection is that the Standard and Deep Rock found neither owing the other early in the year 1928, and that the entire amount of Nine million three hundred and forty-two thousand dollars all accrued since April of 1928.

Q. Did you examine the Standard claim as filed in this court? A. I saw it, yes sir.

Q. Did you notice the method of computation of that claim by Standard? A. I don't recall it in its detail.

Q. Do you recall the method of arriving at the net balance? A. No sir.

Q. Do you recall that Standard lists a total of Fifty-two million dollars of advances from 1919 to 1933, and Forty-three million dollars of credits for the net amount of Nine million plus? A. Yes sir.

Q. Did you see the Standard claim as listed? A. I spoke of the books, I know in April, 1928, neither owed the other any money. I know there was a settlement early in 1928.

Q. And that settlement, do you know by whom that was? A. By Standard.

Q. And do you know if the top officers were the same top officers of both Standard and Deep Rock at that time? A. I don't know who the officers were of Deep Rock at that time.

Q. Have you ever investigated that item? A. I have, yes sir.

Q. What was your conclusion as to whether or not they were the same officers? A. You asked me what my conclusions were with respect to that settlement.

Q. No sir, I asked you if you knew, or know now, the same top officers were the same in both companies, in Standard and Deep Rock, in 1928 at the time of this purported settlement? A. I believe the principal officers and directors of Byllesby & Company were officers or directors of Deep Rock in 1928.

Q. So that the settlement was by one set of persons with themselves? A. I don't believe that.

Q. Who were the outsiders? A. I think Mr. Gray was one; Mr. Riddle was one; I think there were other officers.

Q. Were Mr. Gray and Mr. Riddle subordinate to the oth-

ers? A. I don't know what position Mr. Gray's was; I think he was in charge of operations.

Q. With respect to financial transactions Mr. O'Brien was his superior, was he not? A. I would say so.

Q. And so was Mr. Graff and Mr. Lynch and Mr. Morrison, were they not? A. They were the majority of the Board, and as such controlled policies.

Q. So that is one of the items, at least, about the lease that you knew about specific charges made against Standard. Now from your examination of those facts what did you do to examine into the facts relating to the Lease? A. I knew the lease was made. I knew the rental was charged.

Q. Did you know the circumstances under which the lease was made? A. Generally familiar with it, yes sir.

Q. Can you tell us what were the circumstances under which the lease was made? A. Yes sir, it was a lease which I have see. It was leasing of property of the Refining Company to the Deep Rock for a period of five years at a rental of Fifty thousand dollars per month.

Q. Do you know the circumstances under which that lease was entered into? A. I don't believe I know what you are asking about.

Q. Have you investigated the situation with reference to the circumstances under which that lease was entered into; who was present when it was signed? A. No, I didn't.

Q. You say you have not? A. No, I didn't. I say I know there was a lease. I know there was a month to month charge.

Q. Did you investigate the other item I asked you about, the circumstances under which it was signed? A. No, I didn't.

Q. Do you know for instance, Mr. Shinners, that lease was signed in the Chicago office of Standard in the first instance? A. I believe Mr. Ramsey brought that information out, and I think I heard it discussed one time.

Q. And you know that lease was sent down, signed through the auditor of Standard and the auditor of Deep Rock? A. Yes sir, Mr. Ramsey told me that also.

Q. And do you know that that lease was never formally approved by the Board of Directors of the Deep Rock? A. I have been told that also.

Q. So you know that about it too? A. Yes, sir.

Q. And do you know that that lease covered a portion of

the property that was properly speaking the property of the Deep Rock? A. I have been told that, yes sir.

Q. Did you ever believe it? A. I had no reason to disbelieve it, or believe it.

Q. Wasn't it rather important, Mr. Shinners, whether you believed those things or not? A. No, not from my determination.

Q. So you say whether or not Standard was leasing to Deep Rock some of Deep Rock's properties wasn't important from your standpoint? A. It wasn't important from my standpoint, for the reason that entire claim was being attacked by the Trustee and his counsel. Concurrent with the experience of the Committee, the Standard claim has been determined, and we assumed there would be a determination or a compromise or adjudication of the Standard claim before there would be any plan of reorganization.

Q. Then, Mr. Shinners, as far as you are concerned, didn't you ever consider the details of the Standard claim? A. Oh, sure, yes sir. Counsel gave us an opinion with respect to each one of the items of the Standard claim.

Q. Now in respect to this lease, Mr. Shinners, did you come to any conclusion as to whether or not this lease was a proper lease on the part of Standard? A. Yes sir, we came very definitely to the conclusion that it was an excessive rental charge.

Q. Did you also come to the conclusion that Standard was causing Deep Rock to lease its own property to itself? A. We didn't consider that to be of extreme seriousness. I believe you have reference to the fact a part of the cracking property was built on Deep Rock property.

Q. Mr. Shinners, I am asking you about this lease transaction, and I asked you whether you thought in the course of your determination and investigation that that lease was a proper lease to be entered into with Deep Rock? A. I answered that I thought it was excessive rental.

Q. I asked you if you thought it was proper for Deep Rock to lease this property to itself? A. What were the properties leased to itself?

Q. Do you know what properties I am speaking about? A. Yes sir, I do.

Q. How long have you been connected with this Reorganization Committee? A. Since April, 1933.

Q. You tell me now, Mr. Shinners, you don't know what property was covered by this lease? A. It was all the property of the Refining Company; the property of the Refining Company was leased in its entirety to the Deep Rock.

Q. Do you know what properties they were? A. Acreage referred to as the Bradstreet acreage, and the cracking plant. I was told some of it was constructed on property that belonged to Deep Rock.

Q. Did you know all of it belonged to Deep Rock at the inception? A. No, I did not.

Q. Do you know a deed was made to Mr. Graff as Trustee from Deep Rock for the property now where the cracking plant is located? A. I knew of that, yes sir.

Q. Did you think that transaction was proper? A. I didn't weigh it seriously. I knew Standard had a couple of million dollars invested in the Refining Company, and they were entitled to some return on that money.

Q. Did you know about this transfer to Mr. Graff? A. I heard of it, yes sir.

Q. Do you know what was the consideration paid for it? A. I heard that.

Q. Did you know there was only Twenty-nine hundred dollars? A. No.

Q. Did you know when Deep Rock started constructing this cracking plant? A. I don't know exactly. I believe 1924.

Q. As a matter of fact it was in 1922, Mr. Shinners. Does that make any difference to you? A. No.

Q. It doesn't. Does it make any difference to you that Deep Rock was spending its money in the years 1922, 1923, 1924, and up to October 1925 for the creation of a cracking plant that Standard then turned around and had leased to Deep Rock? Does that make any difference to you? A. In what respect.

Q. You know for instance there was no lease in existence even in the years 1922, 1923, 1924 and 1925? A. I understand the lease was dated October, 1925.

Q. So that in 1922, 1923, and up to October 1, 1925, there was no lease, was there? A. Not that I know of.

Q. And did you know, and do you know, that Deep Rock during that period of three years was expending its own money for the construction of a cracking plant? A. No, I didn't.

Q. Are you finding that out for the first time now, Mr. Shinners? A. No, I discussed the matter with Mr. Ramsey several times.

Q. When did you first find that out? A. That there was no lease?

Q. That Deep Rock was spending its own money for the construction of a cracking plant during a period of three years prior to the time of the lease? A. Oh, I discussed it in general I presume over a period of the last year and a half, or two years.

Q. Did you lose track of it at the moment when I asked you the question, Mr. Shinners? A. No.

Q. That is a rather important factor in the situation, is it not Mr. Shinners? A. I don't think so.

Q. You don't think so? A. No sir.

Q. Now then don't you think that the terms of the lease were onerous so far as Deep Rock was concerned? A. I think they were excessive.

Q. To what extent do you think they were excessive?

The Court: That has been gone over, Mr. Honigman, and the extent he thinks they were excessive takes the nature of purely an argument with this witness.

Mr. Honigman: Your Honor please, I haven't any intention of arguing with this witness.

The Court: Well, you asked him whether or not under a certain state of facts the lease was honest or dishonest. That is an argument.

Mr. Honigman: No, Your Honor, I don't want to create the facts, but it is important to know how much of those facts, how much this witness knows.

The Court: I assume he knows all about it, because there has been testimony fully taken on all items that he is undoubtedly familiar with.

Mr. Honigman: Your Honor's assumption is erroneous, if I may say so, and I intend to show that through this witness, that while the assumption that this witness knows is in this record, is either erroneous or this witness is not telling us what he knows.

The Court: Just what do you want to develop about this lease?

Mr. Honigman: I want to know how much Mr. Shinners knows about the facts, so as to determine on what basis he arrives at his judgment in regard to the compromise.

The Court: All right, go ahead. Let's get along.

Mr. Ramsey: I doubt when he found out these facts ...

Mr. Honigman: Your Honor, this situation is one that has been delayed for many, many months, as Your Honor knows. We were last here on September 23, 1935. Now I believe this situation requires a very complete record of the situation as it exists.

The Court: All right, go ahead.

Q. (By Mr. Honigman) To what extent, Mr. Shinners, do you think that the rentals in this lease were excessive? A. I don't know. I think the Six hundred thousand dollars was in excess of the fair return of the money invested in Deep Rock Oil & Refining Company by Standard.

Q. Did you ever figure to what extent it was an excess? A. Oh, I tried to reach approximate returns on money invested in the oil industry; from eight to ten or twelve or fifteen per cent.

Q. And what conclusion did you arrive from that, Mr. Shinners? A. Couldn't be anything better than an arbitrary conclusion on what was a fair return on money invested in an oil enterprise. They were probably entitled to as much as ten per cent.

Q. Ten per cent on how much? A. Two and a half million dollars.

Q. That would be Two hundred and fifty thousand dollars a year? A. That is right.

Q. And were they entitled to anything above that? A. I would say ten per cent was a fair return on Two and a half million dollars invested in the oil business.

Q. Did you know what other terms this lease had beside the rental? A. To maintain and return the property in as good physical condition as when it was received.

Q. And also to substitute any oil lands that were depleted, is that right? A. That is right.

Q. And also one other major provision, was there, about payment of rental? A. I don't recall any details.

Q. Do you recall the provision requiring the Deep Rock to pay income tax? A. Yes sir.

Q. Do you know who Deep Rock Oil & Refining Company was? A. I understand it was a Delaware corporation owned by Deep Rock Oil Corporation, owned by Standard Gas & Electric Company.

Q. Which is it? A. Standard Gas & Electric Company owns Deep Rock Oil & Refining Company.

Q. And was all the stock owned by Standard? A. I believe so, yes sir.

Q. Was there any public interest in the Refining Company? A. None that I know of.

Q. And who were the top officers of the Refining Company? A. Officers of Byllesby and Standard.

Q. And also the Deep Rock? A. Yes sir.

Q. Do you know where the offices of the Refining Company were kept? A. I believe in the offices of Standard.

Q. Where? A. 231 South LaSalle Street, Chicago.

Q. Do you know whether or not they had a Tulsa office? A. I do not.

Q. Do you know the Tulsa office was kept in the offices of the Deep Rock? A. I didn't know that, no sir.

I went into the question of the Management Company's fees that were included in the Standard claim.

Q. And those total about a million and a quarter, do they not? A. From 1928?

Q. No, the entire amount charged in the claim as set up? A. The investigation of the Committee dealt with the claim from 1928. We have had an opinion from counsel. That was a part of the Nine million three hundred and forty-two thousand dollar make up that concern counsel and this Committee.

There was about a half million dollars of the Management Company fees since 1928. I went into those charges. We thought they were excessive. We thought they should be eliminated entirely, for the reason that we didn't believe there were services rendered. These charges were made by Management Corporation to Deep Rock. Management Corporation was a subsidiary entirely owned by Standard, operating

out of the same offices in Chicago. The same top men, who were top men in all these companies, decided to make these charges, with the approval of the operating heads of Deep Rock. But I believe these same top men were the superior officers of Deep Rock on financial matters.

Q. So that these men, Mr. Lynch, Mr. Graff, Mr. Morrison, Mr. Cummins, Mr. O'Brien, these were the men who decided these charges should be made, and you say now you decided these charges were not warranted at all? A. I say that was the opinion the Committee reached, yes sir.

Q. Did you also reach that opinion, Mr. Shinners? A. Yes, sir.

Q. When did you first reach that opinion? A. Oh, I would say about the time we reached the opinion with respect to what Standard might sustain its claim for.

Q. When was that? A. The middle, or latter part of 1933.

Q. So that at the middle part of 1933 you had here a situation where you knew these men had made charges that were entirely uncalled for? A. That was my opinion.

Q. That was your opinion? A. Yes sir.

Q. These men at that time were still your superior officers? A. Yes sir.

Q. Did you go to them and tell them your opinion at that time? A. Yes sir.

Q. Did you accuse them of any wrong dealing in the handling of this corporation? A. No sir.

Q. What did you accuse them of? A. I didn't accuse them at all.

Q. What did you tell them? A. I told them I didn't believe that part of the claim would ever be allowed, and the Committee had definitely reached that conclusion also.

Q. So you were concerned about what the court would do about the claim? A. Yes sir, and the entire Committee was. The Committee reached an opinion, with the aid of its counsel and accountants, reached an opinion as to the amount of the Nine Million Dollars in its opinion the Standard might be able to sustain, and very definitely that in the Nine Million Dollars there was about Two Million Dollars that could not be sustained, and so stated in their communication to the security holders.

Now as to the interest charges by Standard that appear in

the claim, we came to the conclusion that compounding the interest charges instead of charging at the rate of 7 per cent, meant the difference between 7 per cent and 7.27 per cent. We discussed the question of whether interest ought to have been charged by Standard to Deep Rock. We reached the conclusion Standard was entitled to interest. Whether they were justified in charging the 7 per cent compounded, we didn't have any serious discussion on the matter. We felt they were entitled to interest on moneys that had been loaned to the Deep Rock. We reached the same conclusion on the subject of the payment of dividends to Standard, that the payment of dividends should all be sustained. That is, subsequent to 1928. I am treating with it entirely since 1928. We reached the conclusion all dividend payments to Standard could be sustained.

Q. Do you recall when the last dividends were paid to Standard? A. I don't recall it now.

Q. Rather important, is it not? A. I believe it was in 1930.

Q. Then dividends were paid to Standard in 1930? A. Yes sir.

Q. On the common stock, were they not? A. Yes sir.

Q. And how soon after 1930 were the preferred stockholders informed that there would be a discontinuance of dividends for them? A. I believe it was 1931.

Q. About how many months after the close of 1930? A. I don't recall now.

Q. Do you recall that it was in April of 1931? A. I knew that it was in the early part of 1931, yes sir.

Q. Do you know why those dividends were stopped in the early part of 1931, so far as the preferred stockholders were concerned? A. I presume it was the lack of capital; lack of working capital.

Q. Was it because of lack of working capital or because of lack of earnings? A. Probably a combination.

Q. And when do you think that that was first known to the officers of Deep Rock? A. I couldn't answer that.

Q. Don't you think that in December of 1930 when they paid dividends on the common stock they knew what the earnings for that year would approximately show? A. They probably did.

Q. And don't you think it was the earnings for 1930 that

caused them to stop paying dividends on the preferred stock? A. That is possible.

Q. And do you think under those circumstances they were still justified in paying out dividends on the common stock? A. As a dividend was paid, I say yes.

Q. Why do you say that? A. Because it was a payment by accounting. It was the payment of a Million dollars which was loaned back to them.

Q. So that because of the fact that there wasn't an actual cash withdrawal, but it was an accounting, you say it was all right? A. That is my judgment, yes sir.

Q. Would it have been all right if there had been a cash withdrawal? A. If the money was there I think it probably would have been legal, yes sir.

Q. In the condition of the company as it existed? A. Well, the cash wasn't there.

Q. So they couldn't take it out of the company December 1, 1930, could they? A. I don't know what the condition of the cash was December 1st. I know the cash was not there. I don't know what it was as of December 1, 1930.

Q. Now then at the present time, when the question of the right to have paid any dividend, even a book entry, is involved, isn't the fact that their cash position did not warrant the payment of a dividend at that time significant? A. I don't think so, no sir.

Q. Isn't it a fact that their earnings did not warrant any dividend on common stock significant? A. I believe, and have been informed by counsel, and the Committee has, that the declaration of that dividend was a valid declaration.

Q. Do you know about what their earnings were in 1930? A. No, I don't recall now.

Q. And do you know whether their earnings justified the payment of a common stock dividend in 1930? A. I don't recall what our conclusions were in respect to that investigation, no sir.

Q. How could you come to the conclusion they could uphold their claim on that payment? A. We received an opinion from the Committee's counsel that that part of the Standard claim would probably be sustained.

Q. Then that wasn't based on an independent investigation

of your own? A. It was based on an investigation conducted jointly by the Committee and counsel.

We had the Standard claim as filed reviewed by Peat, Marwick & Mitchell, who were then accountants for Deep Rock, and *Haskens* & Sells who had been general auditor for Standard. I think *Haskens* & Sells handled most of the tax matters for Deep Rock. Peat, Marwick & Mitchell were the accountants who made the annual audit for Deep Rock, while Standard was running it. We never had an audit made of the Standard claim. We didn't feel we had to have an audit made.

Q. You know, Mr. Shinners, that Standard filed its claim based upon transactions of credits and debts from 1919 to 1933, is that correct? A. That is correct.

Q. And many of those items of credits and debits amounted to hundreds, and perhaps thousands of items? A. That is right.

Q. And you know that the question of the propriety of those charges were being questioned by the Trustee? A. Yes sir.

Q. And you know that the Standard claim was the most important single factor upon the determination of a plan of reorganization? A. Yes sir.

Q. Then do you not think it was important to have an audit made of the transactions? A. No sir.

Q. What was it that you feared? What an audit would show, or the expense of an audit? A. Neither.

Q. Was it then because you thought that an audit could do no good? A. I didn't feel an audit would reveal anything that wasn't fully known with respect to the transactions. I didn't think an audit would treat with respect to the propriety of the transactions.

Q. What do you think is the purpose of a proper audit as to transactions between two individuals or a corporation?

Mr. Gibson: If the court please, I object to that, I represent the Standard claim.

The Court: He wants to find out what the purpose of an audit is.

Mr. Gibson: I think your Honor knows that.

The Court: I can state for his general information, most

of these expert accountants confuse the court and everybody else. I thoroughly agree with Mr. Shinners about the audit. It is owing to whose auditor he is, what you get.

Q. (By Mr. Honigman) Is that your view on the subject of auditors, Mr. Shinners? A. The purpose of an audit is to ascertain the transactions that have taken place by the company during a given period.

Q. (By Mr. Honigman) Is it for the purpose of listing the transactions, or should it in a situation of this kind be for the purpose of finding out the propriety of the charges and debits? A. There were audits made of the Deep Rock every year, and no question was ever raised as to the propriety of the transactions.

Q. Do you know whether an auditing firm will give you the propriety of a transaction unless it is asked for? A. I don't know. I wouldn't ask them for the propriety of it.

Q. Wasn't it a question of the propriety of these thousands of items, wasn't that a major issue on the validating of the Standard claim? A. That was a question this Committee felt it could rely on the opinion of counsel.

Q. And who were your counsel that gave you that opinion? A. Cutting, Moore & Sidley.

Q. Who, specifically? A. Mr. Oates.

Q. Mr. Oates is the gentleman in court now? A. Yes, sir.

Q. Did Mr. Oates suggest to you that it was necessary or desirable to have an audit? A. I don't recall, no, sir.

Q. Would you have recalled it if he had suggested it? A. I probably would, yes, sir.

Q. Would you have acted on it had he suggested it? A. Might have, and might not.

Q. Is it your present recollection that he didn't suggest an audit be made? A. I don't recall that he did, no, sir.

Q. And you never suggested it to him? A. No, sir.

Q. You have previously said that the Standard claim was for a period subsequent to April of 1928? A. I believe that, yes, sir.

Q. Now, I show you, the claim which was filed by the attorneys for Standard on June 22, 1934. That was the claim that was filed in behalf of Standard? A. Yes, sir.

Q. I show you the account attached to that claim, and ask you if that doesn't show that the claim was based upon trans-

actions from 1919 to 1933? A. That this under sheet of paper reflects accounts from 1919 to 1933, that is right.

Q. And is there anything there to indicate to you that this account is based on transactions since 1928? A. The balance of Nine Million Dollars has accrued since April of 1928.

Q. Is there anything in the claim filed by the Standard that leads you to believe that? A. Well, I would want to study this a minute before I answered that to see what their position was at the close of 1928.

Q. Mr. Shinners, I asked you to look at the claim as filed by Standard, and asked you to tell us whether the Standard claim, as shown by the schedule attached to the proof of debt, was based on an accounting for the period from 1919 to 1933? A. That is correct, yes sir.

Q. So that as far as the Standard claim is concerned there is no indication that they are only claiming for debts that have accrued since April of 1928? A. Not according to that instrument, no sir.

Q. As a matter of fact the only statement that the Standard claim accrued subsequent to April of 1928 is the claim made by Standard's counsel that in effect there was a complete wipe-out in 1928? A. That is the opinion of counsel for my Committee also.

Q. So that both Standard's counsel and counsel for your Committee agreed that practically speaking the claim was just about balanced in April of 1928? A. Yes, sir. That at one time, in April or May, 1928, there was a small amount of money due Deep Rock by Standard.

I am acquainted with the fact the instrumentality rule was claimed as a defense to the Standard claim. I did not go into the question of whether or not the instrumentality rule was properly applicable in this situation. No one did this in my behalf. Counsel informed our Committee that it was of the opinion that the instrumentality rule was not applicable. Cutting, Moore & Sidley were the counsel who informed us. I talked with Mr. Oates and Mr. McDougal, and Mr. Harper and Mr. Dern, but I believe when the Committee was informed with respect to the opinion of the firm Mr. Oates was the one that gave that opinion. He gave an opinion to our Committee to the effect the instrumentality rule was not applicable. I think substantially all of the facts were available to him at the time he gave that opinion. By substantially all the facts,

I mean the record taken before the Special Master in the hearing of the Standard claim. I believe that opinion was given me sometime early in 1934. That was prior to the time that I sent out our first plan of reorganization. I am reasonably certain. I am answering it to the best of my memory. I believe that before we ever sent out any plan of reorganization we had an opinion from our counsel on the applicability of the instrumentality rule as to the Standard claim. I believe before counsel gave the opinion he had sufficient facts to satisfy himself he was in a position to form an opinion. We discussed the record taken before the Special Master as to the Standard claim almost from the inception of the formation of the Committee.

Q. So that you say that he had all of the testimony of the Special Master before him at the time he gave it out? A. I say I believe he had sufficient facts before him to permit him to reach a conclusion.

Q. Do you know as a matter of fact, Mr. Shinners, that the hearing on the Standard claim did not terminate until February, 1935? A. Yes, sir.

Q. That was about a year or more after the time you say you were given an opinion on the instrumentality rule by counsel? A. That is correct, yes sir. I would say it was eight or nine months at least.

Q. So at the time that counsel first gave you that opinion all of the testimony had not been taken in the hearing before the Special Master? A. I think that is correct. I think the substance of it had been.

Q. As a matter of fact you know there was a lot of testimony taken after the spring of 1934? A. I think there was quite a bit.

Q. And do you know which part of the testimony was more important, the part that came before the spring of 1934, or the part which came after? A. That is the reason I hired an attorney, Mr. Honigman. He has to be satisfied.

Q. Since the spring of 1934 you have become satisfied that the instrumentality rule does not apply here? A. That is my judgment, yes, sir.

And under those circumstances I was desirous of getting an early determination of the Standard claim for the purpose of reorganization. Now at that time I don't know of any reason why the Standard claim should not have been determined on

its merits, the hearing terminated and the Standard claim adjudicated. I understand the Standard and the Trustee effected a compromise about the conclusion of the hearing, in February, 1935.

Q. You say you understand that the Trustee and the Standard effected a compromise in the spring of 1935? A. That is right.

Q. Who was the chief negotiator of that? A. I was.

Q. So you know very definitely as to how the compromise took place? A. That is right.

In my negotiations of the compromise I dealt with Mr. Greis, Judge Ramsey's office, Mr. Lynch. I considered that Standard and the Trustee were the two sides to that controversy for the purpose of effecting a compromise. My position was as Chairman of the Reorganization Committee, desirous of seeing the reorganization consummated. I was a sort of a mediator, I would say that was the duty of a Chairman of a Reorganization Committee attempting to reorganize under 77b. As I understand you have to have two-thirds of your creditors agreeing to it. We thought, as far as the Committee is concerned, there could be no determination of the plan, or proposal of plan until such time as the court having jurisdiction of the Deep Rock affairs and the proper determination of the Standard claim by compromise or litigation had passed on the same. I have been anxious about a final determination of the Standard claim ever since we had been in the picture as a Reorganization Committee.

Q. And do you know why in 1934 that claim was not adjudicated? A. No, I don't.

Q. You handled the negotiations for the compromise in 1935? A. Yes, sir.

Q. And weren't you practically the only person that made the visits to Mr. Ramsey for purposes of compromising? A. Mr. Gibson and myself, yes sir.

Q. Mr. Gibson and yourself? A. Yes, sir.

Q. And weren't you represented by counsel at the time you appeared in those conferences? A. No, sir, I didn't have counsel with me.

Q. And those compromises were decided upon after about how long a negotiation? A. About December to February.

Q. About December of 1934 to February of 1935? A. That is my recollection.

At that time I presented a compromise proposal, which had certain figures in it. I recall that those figures were certain set figures with interest to be charged up to the date of the compromise proposal. I don't know what those figures totaled with interest up to approximately the date of hearing. I thought they were approximately Five Million Dollars, or a little in excess thereof. I do recall something about the fact that there were certain figures used at the time of the first compromise proposal, for instance, the figure $2,376,076.31. And then provision was made to charge interest on that up to February 28, 1933, which was the date of receivership. That totaled $497,886.18. Then there was, in addition to that, provision made that a charge of five per cent per annum interest on that figure of $2,376,076.31 should be made from February 28, 1933, to the date of entry of judgment on this offer. So far the compromise proposal as filed under date of March 8, 1935, is exactly the same as the compromise proposal being submitted to the court today, as far as figures are concerned; with respect to those figures, the figures may be identical, but it is a widely different offer of compromise. I believe that these specific figures were included as a part of the basis of compromise in the first proposal, and the identical figures are being included in this new compromise proposal. Then the sum of $1,585,485.18, with interest on $1,597,985.18 from February 28, 1933, at five per cent simple interest to August 5, 1933, and interest on the first figure, One Million Five Hundred and Eighty-five Thousand figure, at five per cent simple interest from August 5, 1933, to the date of entry of judgment on this offer. Up to this point these figures in the first compromise proposal are exactly the same figures contained in the present compromise proposal. I don't believe that there is any difference, in so far as the totals of claim to be allowed the Standard between the first compromise proposal and the present one. I believe it will work out that the present compromise proposal will provide for a greater allowance to Standard because of the increased interest since March 8, 1935, when the first one was filed. As far as the interest item, we have included interest up to the date of judgment on the new compromise. The first compromise included interest to the date of judgment. Then if the date of judgment was postponed until today, the interest would accrue the same rate

as it is. If Five Million Dollars is figured from March 8, 1935, to date at five per cent, or five per cent on this amount of money, I don't see it makes any difference. If a judgment had been entered March 8, 1935, there would have been interest at five per cent on that. To that extent there is no difference, and my opinion is, it is exactly the same.

Q. As a matter of fact in treating interests other than Standard in this amended plan of reorganization and in the compromise proposal, you are making no provision for giving them interest up to date of the present amended plan? A. That is correct. We are not giving it to Standard.

Q. You are providing for allowance to Standard on these figures right up to date, aren't you? A. Yes, sir.

Q. You are not doing that for the note holders? A. You mean we are not giving it to them in cash, or failing to consider it?

Q. I don't claim you are giving it to them in cash, but you are allowing that to the amount of the claim? A. Yes, sir, and I think the note holders are getting more also.

Q. And you think the preferred stockholders claim is Two Million Dollars because of accumulated dividends? A. No, sir, because one is an obligation to pay, and the other an obligation to pay earnings.

Q. Don't you know these are cumulative dividends? A. Yes, sir.

Q. Cumulative dividends are owing in the event of a liquidation, or in the consideration of any plan, are they not, if there is enough money to pay them? A. If there is enough money, I think that is correct.

Q. Creditors too, Mr. Shinners, would not be paid if there is not enough money to pay? A. That is right.

Q. So as a standpoint for comparison, the preferred stockholders have accumulated dividends of Two Million Dollars? A. If there are assets there, yes sir.

Q. Now then Mr. Shinners, you know that the court rejected the former compromise proposal, do you not? A. Yes, sir.

Q. And the court rejected it on the ground that it was unfair to the preferred stockholders, is that right? A. I don't know that the court said that, Mr. Honigman. The court rejected it for reasons sufficient unto himself.

Q. You have read the court's suggestions, have you not? The court's statement? A. Yes, sir.

(Interveners Exhibit No. 1, which is the transcript of testimony of the hearing on September 23, 1935, is admitted in evidence.)

I have read a copy of the transcript of the proceedings before the court on September 23, 1935. I am fairly well acquainted with the reasons of the court in rejecting the first compromise proposal.

Q. And the primary basis for rejection was that the compromise was not fair to the preferred stockholders, is that right?

Mr. Gibson: I object to that. It is a misrepresentation of the record, and it is asking for an opinion of this witness as to what Your Honor's judgment was.

The Court: The record is the best evidence.

Mr. Honigman: I want to know what he knows about it.

The Court: He says he is familiar with the transcript. The proceedings are set out there.

Mr. Ramsey: This is the first time I ever heard of putting a witness on the witness stand and asking him what the court's opinion is when it is in writing.

The Court: Yes, that is true. I would not pursue that any further.

Mr. Honigman: Very well.

(Witness): I do recall that at that hearing the court suggested that it would be open to a new compromise proposal, and suggested that it be filed in some such period as ten days. It was on the basis of the court's suggestion that I continued in an effort to compromise this claim. In arriving at the present form of the compromise, I took into account the fact that the court had rejected a compromise for the same amount previously. I had no reason to believe that I had any more ground for having the court accept the present compromise than the first one. As a matter of fact the court also made certain suggestions of what seemed to the court a fair off hand allocation of the assets and the equity in this company. I paid attention to those suggestions of the court, but I did not adopt them. In so far as it was possible for me to get Stand-

ard to make further suggestions to meet the views and wishes of the court I did so, made an honest endeavor.

Q. Your endeavor fell far short of the court's opinion as expressed at that time? A. I can't answer that question. I am not going to say what the court thought at that time, or does now.

Q. And you don't want to say anything about it, even after reading the transcript, is that right? A. No sir, I don't.

Q. Now then will you tell us why you submitted a new compromise proposal on the same basis as the old one that was rejected? A. The best answer to that is well known to the court. I came down here early in January, 1935, after several months of discussion and negotiations with Standard. I thought very definitely it was not necessary to consult with the preferred stockholders or note holders at that particular moment, because the court was in my opinion concerned about the extent of stocks given Standard, therefore Standard had to receive something less, and I came down here early in January, 1935, and submitted to the court in the presence of your associate counsel and other counsel in the proceedings substantially this amended plan.

Q. In an informal way? A. Yes, sir.

Q. I believe the witness meant 1936? A. I should have said January, 1936. And then at the conclusion of that informal meeting His Honor instructed Mr. Ramsey, representing the Trustee, and Mr. Gibson, representing Standard, and Mr. Milsten, your associate counsel representing your clients, to get together and give him a report, and I understand such result was handed to him shortly thereafter, Mr. Ramsey and Mr. Gibson concurring that an amended plan should be submitted to the security holders and all interested parties, and Mr. Milsten saying that the plan should not, and the court on or about February 18th entered an order instructing the Reorganization Committee to file the amended plan of reorganization.

Q. The court in a situation of this kind, Mr. Shinners,—have you put this thing up to the court from time to time to decide on the fairness of your steps? A. No, sir.

Q. Or have you taken that responsibility on yourself? A. I took the responsibility myself to a very great degree, yes sir.

Q. I mean by yourself, I mean you and the other members of the Committee? A. Yes, sir.

Q. So that in substituting this plan to the security holders, you are submitting it as your notion of a fair treatment of the security holders, is that right? A. That is a fact, yes sir.

Q. And can you tell us what reason you had for submitting a figure of compromise that was the same as the court rejected as being in effect too high, or out of the way? A. Well, it was my best judgment it is not a matter of great concern to the court whether the Standard claim, if it is going to be compromised, is compromised for Six Million Four Hundred Thousand, or Two Million Six Hundred Thousand. I think the matter of concern with the court is what Standard is going to receive for the amount for which its claim is compromised.

Q. Now would you say it would make no difference if the Standard claim was allowed at Two Million Six Hundred Thousand? A. And they receive this treatment, I would say it would make no difference, no sir.

Q. As long as Standard can get seventy-three per cent of this company above the notes, it makes no difference what the claim is allowed for. A. As a practical matter it does not.

Q. I am inclined to agree with you. If the figures didn't make any difference, whether it is Five Million or Two and a Half Million, why put the figure Five Million again into this compromise proposal? A. I don't think it was of necessity that the figure of the Five Million was put in our first plan as submitted to the security holders. We said if the Standard claim was sustained for Five Million, of which a substantial amount was found to be on a parity, then in the opinion of the Committee the plan as proposed would have been a fair plan. Standard at that time agreed to the compromise of its claim without reservation with respect to a confirmation of the plan. In this new offer of compromise Standard says you may place One Million and a Half on a parity and Two and a Half or Three Million subordinate, and we are conditioning our compromise upon the confirmation of a plan.

Q. From the standpoint of a preferred stockholder, isn't it true it makes no difference how much is on par with the note holders and how much is subordinated, because the total goes ahead of the preferred stockholders? A. That is right.

Q. So to the preferred stockholders it presents a compro-

mise proposal exactly the same as the first one, doesn't it? A. The compromise of the Standard claim?

Q. Yes. A. No. It is the same in dollars and cents. It is all together a difference compromise from the standpoint of the preferred stockholders and the standpoint of the note holders. One was an unconditional compromise, and this is very definitely a conditional compromise.

Q. As a matter of fact that first compromise was a conditional compromise, because the plan was already prepared and a large number of note holders had approved it? A. May I answer it this way.

Q. Can you tell me if that is correct? A. I would say it is incorrect.

The Court: Let him answer.

A. It is my recollection that the deposit agreement under which people filed with the original plan provided when the Standard claim was definitely determined and adjudicated, whether by compromise or litigation, that it would be submitted, and they would have the privilege of withdrawing, so they were not bound by that plan.

Q. They would have the privilege of withdrawing, Mr. Shinners, if the claim was not *allwed* at less than Five Million? A. No, they could withdraw under any condition. That is my recollection.

Q. I don't want to take the time of the court at the moment to contradict you, but if you will check your old plan— A. Counsel is there; he can check it.

Q. That there was no right to withdraw if a claim was allowed as much as Five Million Dollars.

Mr. Oates: Your memory is faulty on that, Mr. Honigman. I will read it to you as soon as I find it.

Q. (By Mr. Honigman) Now then, as far as you are concerned, you know of no reason why the same figure should be used for the purpose of allowing the Standard claim? A. I don't think that was vital, no sir.

Q. Didn't it occur to you, Mr. Shinners, in the formation of a plan of reorganization in order to determine what treatment any class of security should get, it is very important to know how much that security has coming? A. That is right.

Q. And in order to determine whether the 73 per cent that Standard is getting of the common stock is a fair percentage, it is important to know in what amount the Standard claim is to be allowed? A. That is right.

Q. So whether or not the Standard claim was allowed at Five Million Dollars was an important item? A. I think it could have been allowed for Five Million Seven, or Five Million Four.

Q. As long as it was allowed at approximately the same figure presented in the first proposal, Standard could make the claim at 73? A. That is exactly the way I feel.

Q. So if the court held on the first hearing that the allowance of the Standard claim was out of line, why would you consider that it was fair to allow the Standard claim at this time on this present compromise? A. I am not assuming anything with respect to what this court is going to do with respect to this amended plan.

Q. Are you telling us whether it would be fair or not fair to allow the Standard compromise? A. I believe it is fair. I have to assume there is a Standard claim in a substantial amount, or I will say frankly there is no plan; unless there is a Standard claim for a substantial amount of money, and that is the opinion under which this Committee has been working.

Q. That gets us back to the proposition, Mr. Shinners, that it isn't the plan we have got to consider first, it is the Standard compromise proposal, because unless we know how much a claim Standard has got, we can't tell what is a fair plan, is that right? A. Unless there is a substantial claim, I don't think there is a fair plan.

Q. By substantial, what do you mean? A. Oh, Four and a Quarter to Five or Six or Seven Million Dollars.

Q. So far as you are concerned you construe the first holding of the court as no indication that that figure of Four Million or up was an unfair figure for the Standard claim? A. That of itself, no, I didn't think that.

I agree that the disposition or determination of the Standard claim is necessary before you can have any plan. You will have to ask the Trustee's counsel why, in the disposition of the Standard claim, why the claim should be compromised instead of adjudicated on its merits. The Trustee's counsel investigated this claim and fought it, and I do believe he fought it vigorously for about two years, and he concluded it

was the part of wisdom to compromise it. As a fiduciary my opinion as to why there should be a compromise of the Standard claim instead of an adjudication is as follows. As I understand it, it is a very complicated legal question, and I have never seen any litigation with two litigants compromising where either are certain of their position, and that is the opinion of this Committee; that neither counsel is certain on the matter. Standard's counsel are confident they can make it stand up for a substantial amount, and counsel for the Trustee believe he could defeat it, but he evidently changed his mind. I couldn't answer the legal question involved. I had to rely on Mr. Oates. Mr. Ramsey is here to speak for himself. Mr. Gibson is here to speak for Standard. I did take up the question with my counsel as to whether the Standard claim should be adjudicated or compromised. It was the idea of the counsel there was nothing wrong in a compromise. The purpose of a compromise is to end litigation. If this compromise doesn't end this litigation, then I have accomplished nothing by compromising. The first compromise proposal in March of 1935, was filed in this court after Mr. Honigman had filed objections on behalf of the Taylors as interveners and holders of preferred stock. I knew that as long as the Taylors litigated the validity of that compromise that we couldn't have a final determination of this litigation.

Q. I will admit that perhaps you didn't know how serious our objections were going to be at the time of the first compromise proposal, but didn't you know that our objections were very serious and we were urging them to the full at the first hearing when the court rejected the first compromise? A. I understood you adopted the conclusions Judge Ramsey first reached.

Q. What position was that, Mr. Shinners? A. Mr. Ramsey's first position was the Standard had no claim; that the instrumentality theory would apply, and your position was substantially the same.

Q. And in addition to that we take the position Standard is indebted to Deep Rock? A. Judge Ramsey also took that position very definitely.

I knew after the court's order of September 23, 1935, that the Taylors and Mr. Honigman definitely opposed any such compromise proposal as was then before the court. I antici-

pated that in presenting the compromise proposal that I am now presenting I would likewise get their opposition.

Q. Now then as long as our *opposion* was in the situation, there wasn't any ending of litigation? There was merely a continuance of litigation, is not that right? A. It could work out that way, yes sir.

Q. As far as you could see, that is all you had staring in front of you, is that right? A. I knew one of these afternoons you and I were going to meet and you would ask me a lot of questions, Mr. Honigman.

Q. Mr. Shinners, the time has come. A. We are here.

Suppose the Standard claim had been heard and had been allowed for a Million dollars, and it was appealed; it might go on for two years. Suppose it was allowed for Seven million and you appealed. I don't think an immediate adjudication of the Standard claim was going to guarantee the litigation was going to end.

Q. Whereas on an appeal from a compromise you might still have to go back and try the case? A. That is entirely correct.

The Court: That is purely argumentative. The court might determine the compromise should be approved, and the order affirmed, or it might be rejected. As far as ending the litigation is concerned, it might be ended as quickly on a determination of compromise as it would on the claim of the merits. Either one can result in ending litigation.

A. That was my view of the matter.

Mr. Ramsey: Here is another thought. Suppose there was no compromise; that the Trustee had not consented to the compromise. The first compromise was up before the court on the petition of the Trustee. Now suppose there is no compromise before the court, and the court should hold that the Standard was entitled to Five million, or Seven million, which is possible, that claim would be on a parity with the note holders. As it is now the claim of the Standard is reduced to a Million five hundred thousand dollars.

The Court: Well, that is getting into the merits of the case.

Mr. Ramsey: No, it is getting into why the compromise was made. The question of why compromise doesn't end litigation, there is nothing to that at all.

Mr. Honigman: Judge Ramsey, I suggest we don't get into the argument.

Mr. Ramsey: You quit arguing with the witness.

The Court: I think you have discussed this question fully with the witness.

As far as the figures used in this compromise, the figure of Two million three hundred and seventy-six thousand, that was a figure agreed upon by the Trustee and Standard. That particular figure was the amount of money Standard advanced to Deep Rock, either direct or to third parties for the benefit of Deep Rock. The figure of One million five hundred and eighty-five thousand represents the amount approximately that Standard invested in Refining Company that remained unpaid on the date of receivership, or had not been returned to Standard. The parties who negotiated this compromise took those two sets of figures and said that was going to be the basis of compromise. I didn't do it.

Q. Was any consideration given to the fact that Standard had taken money from Deep Rock that it should not? A. You will have to ask the Trustee that.

Q. Mr. Shinners, that is a very important consideration. A. I didn't effect this compromise. I acted as the man in between, trying to get two parties that were litigating to agree upon a settlement, and they agreed upon a settlement, and what consideration motivated Mr. Ramsey and his associates, and what consideration motivated Mr. Gibson and his associates, I am not prepared to state to you. I don't know. I was happy to see the two litigants get together.

I acted as a messenger between these two interests. I didn't discuss with them as to whether there was any consideration given to the money Standard had wrongfully taken from Deep Rock. I considered this a fair compromise. I considered the Nine million three hundred and forty-two thousand dollar claim of the Standard could be maintained in a substantial amount. I felt the allowance of a claim of about Five million was O.K., and that was the end of it as far as I was concerned. The specific items that went into it was of no consequence to me.

My Committee has taken no steps to appraise the value of this property. The question of the value of the assets of this

corporation is of major importance in determining the allocation of the equity. Yet I say that I have had no appraisal made on behalf of the Committee. I have discussed that question with my counsel, with the Trustee, and with the Trustee's counsel. I don't think my counsel knows anything about the value of the assets. I don't think the trustee's counsel knows anything about the value of these assets. They both have confidence in the Trustee, and this court appointed the Trustee, and this Committee felt it was safe in accepting the conclusions of the Trustee with respect to valuation. We thought that the people in the company was as competent in determining the value as any outsider, and it would be a saving of a very substantial amount of money. I understand that subsequently a man who is an authority on oil property valuations has been engaged by the Trustee to review that report, and I believe he is available here; probably will be called to the stand. When I made up this plan I knew what the Trustee's valuation was going to be. I talked to the Trustee about his valuation as far back as a year and a half ago, about the middle of 1935. About the time we were considering the first compromise proposal. My recollection is that the Trustee at that time found a value of approximately Fifteen or Sixteen million dollars, including current assets. So that the total valuation about a year and a half ago, I figured was Fifteen to Sixteen million dollars. Now since that time I talked with the Trustee a dozen times probably in the past twelve months. I saw certain figures that he had prepared in arriving at his values. He had a valuation. He also included the assets of the Refining Company, which is proposed under this amended plan to become the property of Deep Rock; a value on the refinery, on the cracking plant, developed acreage, undeveloped acreage, bulk and retail stations, and all the assets of the company. I don't know whether there was filed at the time that I first submitted the present plan in January of 1936 any formal appraisal. I don't know if it was filed with the court at that time. I did ask that an appraisal be furnished me for my files at that time. I did receive such an appraisal, but I don't know when it was.

Mr. Oates: Your Honor please, on page 37 of the amended plan appears the preliminary estimate of values of the Trustee. I don't know when it was filed. Do you know when it was filed?

Mr. Honigman: It was filed within a few days—

Mr. Oates: I think it was probably filed on October 29th or 30th.

Mr. Honigman: That doesn't help this witness any, Mr. Oates, and I don't think he needs your help.

Mr. Oates: Well, it seems to me, you, knowing that appraisal was filed before this plan went out and was printed in that book, there is no necessity for you to ask Mr. Shinners if he had an appraisal before the book went out.

The Court: Proceed.

Q. (By Mr. Honigman) I want to know if you had such an appraisal in January, 1936? A. I had one several months before this went out.

Q. That was the earliest? A. I don't know. I can probably find out from the files of the Trustee and can tell you Monday morning.

Q. Do you think that was a few months before this plan went out? A. I don't know when it was.

Q. I want to know at the time you first formed the plan if you had a written appraisal? A. I am saying I had a letter of valuation from the Trustee.

Q. Can you produce that? A. I believe I can.

This present valuation shows a value of the total assets, including Four Million Five Hundred Thousand, or close to Five Million, as I stated this morning, of cash; shows a total value thereof, gross value of the assets of Seventeen Million Dollars. I believe the final appraisal shows a value of Sixteen Million Eight Hundred and Fifty Thousand Dollars. As a net worth today, but with a gross amount which showed around Seventeen Million Seven Hundred Thousand. On the subject of fixed assets alone, a figure of Nine Million One Hundred Thousand, is set. I didn't have any severe reaction from that figure. It didn't occur to me that that figure was too low. I certainly am not going to question the opinion of the court's appointed officer, a man highly respected in the industry, and highly respected in the community. I know at what figures the book value showed the assets of Deep Rock. I knew at what figures they were carried as of the date of the receivership.

Q. And what figures was the book value of the fixed assets? A. You will have to let me look at that.

Q. Well, roughly? A. It was very substantial.

Q. Roughly tell us? A. Thirty Million Dollars.

Q. More than that, wasn't it? A. I believe it was Thirty-five Million.

Q. Forty-four Million? A. Whatever it is. You have it there.

Q. Now the fact there was a Forty-four Million book value to these assets that are now being appraised at Nine Million One Hundred Thousand, didn't that cause you to question whether this appraisal was a proper one? A. No.

Q. What happened to that other Thirty-five Million Dollars in book value? A. I presume part of it never existed.

Q. Why do you say that? A. Because I am just assuming part of it never existed. They probably carried property worth millions of dollars more than it actually was worth, because they anticipated recovery of oil therefrom and never obtained it. However, all it is, is an accounting business.

Q. You can imagine a certain percentage of errors? A. Yes, sir.

Q. Is a mistake from Forty-four Million down to Nine Million— A. Forty-four Million to Nine Million over a period of fourteen years I don't think is phenomenal at all.

Q. Do you think it was fair to submit a statement to security holders of Forty-four Million Dollars of book value that never had that kind of value? A. I am not saying it did have it. I am saying the Trustee says today it has a value of Nine Million One Hundred Thousand.

Q. Since you have accepted appointment as Chairman of the Committee, have you made any study of the oil industry? A. Very slight.

Q. Have you spent any time in trying to discover what was happening in the oil industry? A. No, I didn't.

Q. Do you know for instance that the oil industry is in better shape today than it was March 1, 1933? A. I believe it is, yes, sir.

Q. Rather substantially? A. Yes, sir, quite a bit.

Q. So these assets worth Nine Million Dollars, according to the Trustee's appraisal, were probably worth less than that

at the date of receivership, March 1, 1933? A. That is entirely possible.

Q. Where did that Thirty-five Million disappear to? A. Mr. Honigman, I don't know.

Q. Now Byllesby & Company were sending out statements during that time to the security holders, were they not? A. I don't believe Byllesby & Company sent any statements to the security holders except in rare cases where they were asked for them.

Q. Didn't Byllesby & Company send printed statements out to people showing what the asset and liability position of Deep Rock was, and also their earning position? A. I don't recall any we sent out. It is entirely possible some one asked for it and received it. I think the corporation probably published its reports and mailed them to the preferred stockholders.

Q. So on the corporation's report, Mr. Shinners, it appeared that this company had assets carried on the books at around Forty-four Million Dollars, for the fixed assets, *it* that right? A. I think that is correct, yes, sir.

Q. And the people that were responsible for sending out those kind of reports were the controlling officers of Deep Rock? A. Yes, sir.

Q. And those officers and directors of Deep Rock were substantially similar to the officers and directors of Byllesby & Company?

The Court: That was all gone into this morning, about the interlocking directors, and all.

Q. (By Mr. Honigman) I show you Intervener's Exhibit No. 3, and ask you if that is not one of the circulars sent out by Byllesby & Company? A. Why this is a Byllesby Engineering & Management Corporation statement, and is headed gas item. It is probably some information the Management Corporation released for another purpose.

Q. Now I show you Intervener's Exhibit #2 on Byllesby & Company stationery, what is that? A. That is a statement on the stationery of H. M. Byllesby & Company entitled monthly statement as officially reported by Deep Rock, and dated December 31, 1930.

Q. On Byllesby & Company letter head? A. Yes, sir.

Q. And apparently sent out by Byllesby & Company? A. I don't know whether it was or not. I think it was the policy of Byllesby & Company, who sold the securities, to furnish the figures asked for at any time by the security holders. I don't think as a matter of practice the underwriter ever sent a statement to the security holders, unless they asked for it. The corporation sends out annual statements.

Q. Byllesby & Company, you said, was engaged in the sale of these securities? A. Purchase and sales, both.

Q. And in connection with purchases and sales wasn't it necessary for them to disclose or discuss with prospective purchasers the asset situation so far as Deep Rock was concerned, and also its earning position? A. Sure.

Q. Weren't the figures used the book figures of Deep Rock? A. Undoubtedly.

Q. The fact then that these Thirty-five Million Dollars of book value of assets are no longer here, as far as you are concerned, that didn't cause you to hire an appraiser? A. No, sir.

Byllesby & Company has endeavored to obtain the deposit of securities for the Committee. I think several other investment houses did the same thing. Intervener's Exhibit No. 4, is a letter under date of August 25, 1934, addressed to noteholders of Deep Rock sent out by Byllesby & Company. In that letter Byllesby & Company urged the deposit with our Committee. Part of the letter reads: "The proposed reorganization plan has been worked out by the Committee after long and careful study, and we recommend your careful consideration of the Committee's explanatory letter. We strongly feel, after considering all the factors involved, that the interest of the holders of the notes will best be served by prompt deposit under the plan." That was August 25, 1934. It refers to the first plan submitted.

Mr. Oates: May the record show that this letter from which you last read was addressed to the noteholders only.

The Court: Well, it is in evidence. It shows for itself.

Our Committee represents both preferred stockholders and noteholders. The treatment for the preferred stockholders and for the noteholders in this situation is substantially different. From the standpoint of the noteholders it makes no difference how much the Standard claim is allowed for as long as the noteholders come ahead of it. From the standpoint of

preferred stockholders, it makes all the difference in the world how much Standard's claim is allowed for, because they come behind it. So that in the consideration of any plan, or negotiations involving a compromise of the Standard claim, the interests of the preferred stockholders are far different than the interest of the noteholders. I don't think it was impossible to have represented the best interest of the preferred stockholders and also the noteholders. I have been one of these people in the investment banking business that doesn't believe if a corporation has eight classes of bonds, and eleven classes of stock that they should have twenty or twenty-one committees. I think any five or six honest business men can sit down and represent the reorganization of a company. I will be happy to tell you how I reached my conclusions.

Q. What I want to know was this. There being divergent interests between the noteholders and preferred stockholders, do you feel your Committee can give fair treatment to the rights of the preferred stockholders? A. I absolutely do.

Q. Why do you say that? A. Because we have done it. That is the reason.

Q. Did you do it in August of 1934? A. With the facts as we knew them at that time, yes, sir.

Q. Just a minute. Did you do it in August of 1934 when you put out the first plan of reorganization? A. Yes, sir, we did.

Q. You say that was a fair plan as it was then put out. A. Yes, sir, it was.

Q. Would you say that plan is fair today? A. No, sir.

Q. Why isn't it fair today, if it was fair in August, 1934? A. The plan of August, 1934, is not fair today, because the noteholders are entitled to a different consideration.

Q. From the preferred stockholders? A. From the preferred stockholders, I think it is just as fair in August, 1934, as it is today.

Intervener's Exhibit No. 5 is a letter which our Committee sent out under date of November 20, 1936. In our letters of November 20th and November 30, 1936, we were urging security holders not to withdraw deposits from our Committee.

Q. And the reason that you gave in your letter of November 20th,—"In order that you may not be misled by the communication you have received from the Taylor Committee, we de-

sire to call to your attention the following very important facts which were omitted from the Taylor Committee letter:

"(1) Court must approve new compromise and amended plan. The new offer of compromise and the amended plan cannot become effective or binding on anyone unless and until the court shall approve the compromise and find that the amended plan is fair and equitable.

"(2) The Taylor Committee will be given a full hearing by the court. The court which will determine the question of fairness is the same court which is quoted with such confidence by the Taylor Committee The court cannot either approve the compromise or confirm the amended plan until after it has heard all of the objections made by any interested party, including those of the Taylor Committee." I don't want to read all of it, because I don't think it is all sufficiently important, but I want to read a few more sentences here and there. "It would seem, therefore, that the Taylor Committee in urging withdrawals is primarily anxious to block the reorganization and to gather a following." and then at the conclusion: "As a result of an independent study made by us and our counsel, which included consideration of the contentions of the Taylor Committee, and in view of the recommendation of the Trustees and his counsel, we believe that the new compromise and the amended plan should be accepted and approved. Failure to do so will necessarily involve a protracted delay in the consummation of any plan of reorganization and postpone for the security holders of Deep Rock any opportunity to realize a return on their investments. Therefore, we urge those who have not deposited with our Committee to do so promptly, and those who have deposited, not to withdraw their deposits."

Q. Now in urging the security holders, Mr. Shinners, that they should not withdraw because the Taylor Committee was going to get a full hearing before the court, do you think you were fair in the information you submitted to the security holders? A. Absolutely.

Q. Isn't it a fact that a substantial element before the court, in the consideration of this thing, will be the question of how many security holders are objecting to the proposed compromise and amended plan, is that correct? A. It may, or may not; I don't know.

Q. If that is an important consideration, then by getting this letter, Intervener's Exhibit 5, security holders were asked

to believe that they will get just as much of a hearing on the fairness of the plan if they joined with the Taylor Committee, as if they stuck with your Committee? A. I think so, yes, sir.

Q. As a matter of fact the order that was entered on the petition of the Committee under date of November 9, 1936, provides that if they do not withdraw from your Committee, that by that they approve the plan? A. That is right.

Q. So that by not withdrawing from your Committee these people are in effect saying that they think the plan is fair? A. That is right.

Q. So that you are asking these people to join in the statement that the plan is fair? A. That is right. Give them the privilege to fight with you, if you think it is unfair.

Q. Take Intervener's Exhibit No. 6, the letter of November 20th, from which your counsel read, and in that letter you referred to the statements of Moody's Investors Service and Standard Bond Investments? A. That is right.

Q. Now do you know what Moody's or Standard Statistics, rather, know about the Standard claim? A. I would guess they knew a very substantial amount about it. I don't think they could help but know a lot about it, having read your communications.

I think they reached independent conclusions and judgment. I think they considered the Standard claim. You understand we do not engage those services. H. M. Byllesby & Company, as a large financial service institution, engages their services to quite an extent. We buy their annuals from them, and take their service, which might amount to an expense of $100.00 a year, but every large bank and trust company in the United States also takes the service of those two institutions.

Q. But you don't know how much of an investigation of the Standard claim they made?

The Court: No, he said he doesn't know.

(Witness): Now these people, having come to the conclusion the plan was fair to the note holders, confirmed our judgment that the plan was fair.

Q. Why was it the Pitcairn people didn't think it was fair to the note holders. A. Well, you understand this as well as any man in this room. When you sit down to work out a plan of reorganization, I don't care how fair minded you

wish to be, I don't care how much ability you have, you are going to find certain people who are going to oppose your plan. Now the Provident Trust Company, I talked to those people as far back as a year and a half ago, and there is a great deal of inconsistencies with respect to their position of today. They deposited under the original plan of reorganization, those institutions did, the bonds owned by themselves and for their trust in October, 1934. Now they couldn't conceive of a plan of reorganization going to be much sooner than about July, 1935. I mean the mechanics and the Standard claim just made it impossible before that. They thought the first plan of reorganization was perfectly fair. Along about a year later, shortly after the September, 1935, hearing they contended at that time they should receive substantially different terms .They contended instead of depreciation and depletion charges prior to payment of interest, that interest should be paid first. They contended there should be a fixed coupon. Now the gentlemen claimed they should receive Two Million Four Hundred Thousand; I contend they are entitled to receive more than Six Hundred Thousand Dollars. If this plan was promulgated as about last January, which was certainly hoped we were going to get this plan out, sometime before this, and had the plan been out the earnings would have justified the distribution of the Six Hundred Thousand Dollars during the year 1936, so I think they are entitled to a distribution.

Q. I want to know, Mr. Shinners, why do you think now it is fair to distribute twice the amount of cash, if you didn't think so *as* the time you first filed your plan?

The Court: I understood his explanation and his reasons for the Committee adopting the suggestions, the plan of reorganization has been delayed considerable months, and now then they say that you have more money because of the delay in adopting it. That is just as plain as it can be. Just like you have a note bearing interest and you pay it on a certain date the interest stops, but if you defer payment there will be more interest.

Q. (By Mr. Honigman) On the subject of the delay of this plan, Mr. Shinners, why was it necessary to wait approximately fourteen months after the court rejected the first compromise proposal before a new plan and a new compromise proposal was filed? A. Well, Mr. Honigman, I think the court is quite interested and familiar also with the details.

The Court: Oh, yes, they got into bankruptcy in Delaware, and of course they couldn't even propose a compromise without the approval of the court up there, and I did all I could to get the court to do it. In other words Standard couldn't submit their plan without approval.

(Witness): There is no trustee operating the Standard. The debtor, through the former chief officers are still operating the company under the jurisdiction of Judge Nields. The earnings of Deep Rock are at the present time about Two Million Four Hundred Thousand Dollars for this year. That is net operating revenue, before taking off charges for depreciation and depletion. I think that a Million and a Half Dollars should be taken off for depreciation and depletion, to arrive at available net income. That is the aggregate of those charges as stated in the plan. There will be charges prior to the payment of interest, so there will be about Nine Hundred Thousand Dollars for distribution. That depreciation and depletion charge is based on the adoption of the value of the properties as prepared by the Trustee, and the application of depreciation with respect to the remaining useful life of the physical properties, and depletion in accordance with the Internal Revenue's prescribed formula for determining depletion. In using that depreciation method, we take the figures given by the Trustee, and the Trustee *tenative* appraisal.

Q. Did you know about the fact that the earnings of the company as shown on its books prior to receivership were not the same as the earnings which they reported to the Federal Government? A. I don't recall that I actually knew it, but it isn't a bit shocking to me. I understand that is the practice of literally speaking hundreds of corporations in America.

Q. Didn't you know that was in the record in this case in connection with the handling of the affairs by the officers of Deep Rock? A. Yes, sir.

Q. So that the company in its own records was not taking advantage of depreciation and depletion charge as it was taking in its reports to the Federal Government? A. That is correct.

Q. As a matter of fact the reports to the Federal Government of this corporation showed profit only in the year 1926? A. That is right.

Q. And in all other years they showed losses? A. Yes, sir.

Q. During all this time the company's statements to security holders showed profits? A. That is right.

Q. Now then is the failure to take a proper depreciation and depletion charge one of the large items accountable for the fact that Forty-Four Million Dollars in book value of assets are now sought to be written down to Nine Million Dollars? A. I don't think so, no. They must have been able at one time to satisfy the Government they had a substantial amount of assets.

Q. Now with only Nine Million Dollars in assets left from a Forty-Four Million Dollar gross, it meant that only about one-fifth was there over as against what was shown on the books, is that right? A. That is right.

Q. Now then the disappearance of eighty per cent of the assets, wasn't that a very material item? A. You are asking me if Thirty-Five Million Dollars is a material item?

Q. Yes. A. I think it is a mountain.

Q. Didn't that make all the difference in the world to the security holders of Deep Rock whether or not their company was worth Forty-Four Million or Nine Million? A. Yes, sir. I don't believe any one ever guaranteed them it was worth Forty-Four Million.

Q. Do you think, Mr. Shinners, that the officers of this corporation were justified in sending out a statement of that kind? A. I think they were, yes, sir.

Q. You think they were justified in sending out a statement showing a book value of approximately Forty-Four Million Dollars? A. I think they were justified in sending out a statement that was their honest judgment, and that is what that statement was.

Q. Do you think the judgment was honest that was eighty per cent wrong? A. If you are asking me to impeach and try my associates with respect to their integrity, Mr. Honigman, I am not going to do it.

Q. Isn't that your duty as a disinterested Chairman of the Reorganization Committee? A. You are speaking of their past record now?

Q. Isn't it your duty to go into the question of their past record in order to determine the application of the instrumentality rule? A. I am not going to argue that with you.

Q. Isn't it your duty to go into that past record?

The Court: Well, that is all a matter of argument, what his duty is.

Q. (By Mr. Honigman) Do you believe that it is fair, Mr. Shinners, to return the management of this company to the same people that were responsible for getting up that kind of a statement to the security holders? A. The Standard Gas and Electric Company has a substantial claim. They are going to obtain the management whether you or any one else likes it. If they have an honest claim they are going to be the stockholders to manage this company.

The Court: Now Mr. Honigman, that is purely an argument, what he believes about it.

Q. (By Mr. Honigman) You testified, Mr. Shinners, that in taking the depreciation and depletion basis, it was taken after discussion with Mr. Francisco? A. That is right.

Q. Who is Mr. Francisco? A. Vice President and chief accountant of the company, and has been with them from the formation of the company.

Q. And Mr. Francisco was first hired by his superior officers of Deep Rock? A. Yes, sir.

Q. These were the same men that substantially are still the superior officers of Standard? A. With the exception of those who died.

The question of depletion for the purposes of proper bookkeeping is based upon the potential recovery of oil from the oil lands. Those are the figures I asked Mr. Francisco to furnish. Mr. Francisco doesn't furnish the figures with respect to the potential recoverable oil; those figures were prepared by men in the producing department, actual oil operating experienced men, under Mr. Greis' supervision, and we didn't have and who were not associated with H. M. Byllesby & Company and Standard. Mr. Francisco did the work under the supervision of Mr. Greis, Mr. Francisco being the chief accountant. Mr. Francisco prepared that information under the general supervision of the Trustee.

I talked with a Mr. Donner in Philadelphia, but I didn't know the Pitcairn people at the time I made the negotiations with Mr. Donner. Mr. W. H. Donner is a retired capitalist. He has a friendly connection with the Pitcairn Company. Mr.

Donner is the holder of a large block of bonds, Eight Hundred Thousand Dollars. Mr. Donner had previously been consulted by me at the time I filed this plan on November 9, 1936; I presume I have talked to him a dozen and a half times in the last eighteen months. Up to that point he was satisfied with the plan as it stood. I talked to Mr. Kenneth Baxter, who is the financial secretary of Mr. Donner, and he told me that Pitcairn wanted to hire counsel. I didn't testify that I suggested that Pitcairn ought to have counsel. I called Mr. Oates, and Mr. Oates said he thought they should, and I called Mr. Baxter. At that time, I had already made up my mind to consent to these different suggestions.

Q. At that time did you know the Pitcairn Company would withdraw proxies they gave our Committee for total stock in the sum of Two Hundred and Three Thousand Dollars? A. No, sir.

Q. Do you know now those withdrawals of powers of attorney of the Taylor people of 2030 shares occurred after you promised to pay this additional amount of money on the large blocks of notes the Pitcairn Company holds? A. I understand certain members of the Pitcairn family had given you a power of attorney. There was twelve hundred odd shares of stock that remained on deposit with my Committee, 1210 that had been withdrawn. Now this two thousand shares you spoke of, I presume that the aggregate holding of the family, as I understand, the Pitcairn Company, and a half dozen Pitcairns.

Q. Then you knew the Pitcairn Company had deposited with our Committee? A. No, I didn't.

Q. Did you know the Pitcairn Company did not withdraw their powers of attorney until you had agreed— A. When I say I did not know they had deposited how could I know they had withdrawn their power of attorney.

Q. When did you first find that out? A. About three days ago.

Q. And when was their withdrawal? A. I don't know.

Q. Do you know it was about two days ago? A. No. Are you speaking of the 1210 shares of stock?

Q. I am speaking of 2030 shares withdrawn by the Pitcairn Company. A. I tell you there was 1210 shares with us, which we always had. They may have given that to you.

Q. You don't know whether they had that stock in street form, or not? A. No, I don't.

The preferred stock of Deep Rock has traveled from about a dollar a share to as high as Thirty-Two Dollars a share since the institution of this receivership. I don't know the approximate value of preferred stock as far as street sales were concerned on January 1, 1935.

The secretary of our Committee is Mr. R. Miles Warner. He is an associate of mine in Byllesby & Co. He is in the buying department. The offices of our Committee is the offices of H. M. Byllesby & Company. I haven't calculated the cost per share of common stock to Standard, figuring its claim at Five Million Dollars under our amended plan, but it wouldn't be hard to compute. Three hundred and eighty thousand shares into Five Million Dollars would be roughly around Fourteen Dollars a share. Now the preferred stockholders get one hundred thousand shares under an investment of Five Million Dollars, and Two Million Dollars of cumulative dividends. That is a price or cost to them of Seventy Dollars a share, the way you are figuring it.

Q. Now for the Five Million Dollars in claim that is to be allowed the Standard, Standard is to turn back the refining company properties, is that right? Is that the compromise proposal? A. I think you can use any language that pleases you to describe it. As I understand it the Standard surrenders the refining property and takes in full satisfaction for its claim Three Hundred and Eighty Thousand shares of stock.

Q. But the compromise proposal does provide for the allowance of a claim of Five Million Dollars all together after turning in the refining company assets, is that right? A. I don't know how I can answer any different than I did. Standard has a claim against Deep Rock; Standard says we are surrendering the refining company and settle my debt for Three Hundred and Eighty Thousand shares of stock.

Q. Doesn't it say something else first? Not for Three Hundred and Eighty Thousand shares of stock, but for a claim of Five Million Dollars? A. It compromises its claim for Five Million, and for this compromised claim and that refining property it gets Three Hundred and Eighty Thousand shares of stock.

I know that Mr. Greis thinks we shouldn't pay this additonal Six Hundred Thousand Dollars and keep all the money there.

Mr. Greis is of the opinion that all this money that has accumulated is really capital, and it should be invested in the restoration of properties in a program, it is hoped, the new management will embark upon when it is finally reorganized, and the cash should be retained for that purpose. I don't know the amount of working capital it had at the time of receivership; but I know it had prior to that time, never had occasion to have any great amount of cash on hand for the reason its parent was a rather good God-father to it.

Q. So this company never operated on its own working capital, but looked to its parent? A. No, I wouldn't say that, but thought they could borrow.

Q. At all times? A. Not at all times, because one day it went into receivership.

I naturally went into the question of why this company went into receivership, being Chairman of the Committee. The thing that actually caused this company to go into receivership was the filing of the petition by two of the officers of Deep Rock. H. M. Byllesby & Company and the Deep Rock made an honest endeavor over a period of months to effect an extension of its obligations. It was due March 1, 1933, and they succeeded in getting extensions of approximately eight million dollars of notes, for which H. M. Byllesby & Company were paid. I don't recall the amount, but whatever it was we made no money. If an extension of the entire note issue had been gotten at that point, I don't think there would have been any need for this company going into receivership.

Q. So at that point this company could have operated with the four hundred thousand they had on hand? A. I don't know that. You will have to ask Mr. Francisco that, whether it could or not.

In connection with the plan of reorganization here we have considered the possibility of a suit against the directors of Deep Rock.

Q. And when did you make such consideration? A. Oh, I made such consideration back in the middle of 1933.

Q. And what did you decide about that? A. I decided that was something that had to happen, if it was going to happen.

Q. If there was to be any suit against the directors of this company under your plan, who would benefit by it? A. If

there was to be a suit against them I presume the noteholders and the stockholders.

Q. Which stockholders? A. Preferred stockholders.

Q. What happens, however, if your amended plan is approved? A. You may elect to bring suit against the officers and directors, Mr. Honigman, I don't know.

Q. If the preferred stockholders are given common stock and are deprived of their preferred position, how could the preferred stockholders sue the directors of the Deep Rock? A. I considered it to this extent, a man doesn't quit his preferred until he has to do so.

Q. But you know under 77b the minority can be forced to do along on a fair plan? A. I understand there is language something to that effect in the statute.

Q. And you know the fairness of the plan depends upon whether you have taken into account all of the assets of the corporation, is that right? A. I think that is correct, yes, sir.

Q. And one asset that may be found here to be a substantial one is a suit against the directors? A. It is a good threat anyway.

Q. You think it is nothing more than a threat? A. I don't know.

Q. They why do you use the word threat? A. I say it is; it always is.

Q. You don't know whether such a suit would be legitimate or not? A. No.

Q. You don't know whether there is any basis for such a suit, do you? A. No. I don't think there is, but I don't know.

Q. So you are not in favor of a plan— A. I am in favor of a plan which doesn't incorporate a suit against the directors, because counsel doesn't believe such action would be justified.

John J. Shinners, on cross-examination by Mr. Bodovitz, testified:

Our committee arrived at a basis of settling this Standard claim at approximately five million dollars. We haven't in setting up this plan of reorganization proposed to distribute stock to the Standard on the same basis that you are distributing it to the noteholders. First, the noteholders are on a basis of it being a non-contested claim for Ten Million Dollars. They

have an accrual of interest due the first of January, 1937, of Two Million One Hundred Thousand Dollars. Standard filed a claim for almost an equivalent amount, a claim for Nine Million Three Hundred and Forty-two Thousand Dollars. This Committee very definitely believes the Standard can sustain a claim for a very substantial amount of money, we believe Seven Million Dollars. There was no doubt in our Committee's mind, or any one with Standard or Deep Rock, there was any dispute about the Ten Million. We believe Standard would eventually sustain a claim of Seven Million Dollars on a parity with the noteholders. We have first subordinated the Standard's claim. How much is that worth to the noteholders. We have next said to Standard, not only do you get no return, you don't get a negotiable bond, but we are going to preclude you from getting any return until Five Million Dollars of notes be retired. Now if you will apply those to the actual stock you are valuing, maybe you will see the proposition is right. I am allowing stock to the Standard on the same basis that I am allowing it to these noteholders on what is due them. I am saying that the first thing that we desired to obtain for these noteholders was subordination of Standard's debt. In other words this property could not stand a Fifteen to Seventeen Million note. We divided it on the basis of ten-seventeenths and seven-seventeenths. They would have been all on a parity. I think ninety per cent of your noteholders would sooner have their full amount on that basis, hopeful of their recovery, and have Standard completely subordinate. That is not the Standard's viewpoint rather than a disinterested Committee.

John J. Shinners, on cross-examination by Mr. Doerner, testified:

There is no connection or relationship between the Pitcairn Company and the Philadelphia Investment Company, and the H. M. Byllesby & Company and Standard.

John J. Shinners, on cross-examination by Mr. Milsten, testified:

I testified awhile ago that Byllesby & Company had engaged in considerable, and there had been considerable public dealing in notes and preferred stock within the past few years.

Q. Will you please state how much, in amount, Byllesby & Company owns either directly, or in any wise indirectly, of notes and of preferred stock of Deep Rock? A. Standard, in

which H. M. Byllesby & Company has had the active working control, but which at present is under the jurisdiction of the Federal Court of Delaware, owns about 989 shares of Deep Rock preferred stock. H. M. Byllesby & Company owns no shares, haven't owned any since this receivership, except for possibly an hour or two hours in our trading department, which is the same as dozens of the financial concerns maintain, they may own possibly 45 or 50 notes, which they may sell tomorrow morning. As an investment we own none of the notes or preferred stock. Our trading department, which trades in the securities the same as a dozen financial houses—

Q. Do you know of any arrangement by which any one for either Byllesby & Company or Standard holds either directly or indirectly any notes or preferred stock about which you have testified? A. No, sir, I do not.

Q. Do you know whether or not the directors of Standard, and or Byllesby & Company personally own or control any notes or preferred stock of Deep Rock? A. No. You are asking about officers and directors of Byllesby, or Standard?

Q. Yes. A. They may have ten, twenty or thirty shares of Deep Rock, or two or three thousand dollars of bonds.

John J. Shinners, on re-cross examination by Mr. Honigman, testified:

The connection now between Byllesby & Company and Standard is that Byllesby & Company has vested in a ten-year voting trust, the common stock of Standard Power & Light, which is owned by it; the three Trustees are three of the officers of Standard Gas and Electric Company, which the Government is satisfied is completely divorced from H. M. Byllesby & Company. But H. M. Byllesby & Company owns the beneficial interest; they do not have the right of selecting the Trustees.

John J. Shinners, on redirect examination by Mr. Oates, testified:

Each member of the Committee approves the Pitcairn modifications. In the claim filed by Standard, in the schedules for the year 1928, it shows a balance of $687,506.40 due at the end of the calendar year of 1928. And that compares with Thirty-seven Hundred Thousand for 1929, and Six Million Two for 1927. Standard, with the approval of the District Court in Delaware, has accepted the amended plan filed November 9th.

It states that acceptance in its offer of compromise. A compromise of this claim should end litigation between the Trustee and Standard. Prior to the promulgation of the original plan in August, 1934, I discussed the questiton of the then value of the properties with Mr. Greis and his staff. None of the members of the Reorganization Committee own any of the preferred stock of the Deep Rock. They stand without any personal financial interest in either class of securities. Now the depreciation base provided for in the plan is not based on the properties' appraisal; it is based on the sum of the face value of the income debentures, other debt items and six dollars for each share of the common stock. That was approved by the Trustee's staff and the accountants for the Committee, Peat, Marwick & Mitchell. All security holders were advised subsequent to November 9, 1936, if they didn't withdraw from the Committee they would be deemed to have accepted the amended plan. If a cause of action were instituted by Deep Rock against the former directors, that cause of action would presumably be brought by Mr. Greis, as Trustee.

August J. Hurt was called as a witness on behalf of the Reorganization Committee, and on direct examination by Mr. Oates, testified:

I am connected with the First National Bank, Chicago. The First National Bank has received from security holders of Deep Rock notes and certificates representing preferred stock for deposit in acceptance of the plan of reorganization. Such securities received were accompanied by letters of transmittal. I have brought with me the letters of transmittal received by the bank. The form of letter of transmittal so received, which is attached to this batch, which is marked Committee's Exhibit No. 4, these are the forms of letters of transmittal. Under the terms of that letter the deposit of the securities and the delivery of the letter consitutes an acceptance of the plan. There were $3,930,500.00 of notes on deposit as of November 9, 1936. I have custody of the records. I have seen the notes and know they are there. I tender to the court the letter of transmittal which accompanied them and would like permission of the court to withdraw it. There were 19,515 shares of preferred stock on deposit on December 5, 1936. There have been subsequent deposits after December 5, 1936.

Mr. Oates: Will you mark the supplemental affidavit Committee's Exhibit No. 5.

The Witness: Total notes at the present time, as of December 10, three million nine hundred and forty thousand; total number of shares of stock is 19,535 shares. Those affidavits and certificates bear my signature.

Oswald D. Settle was called as a witness on behalf of the Reorganization Committee and on direct examination by Mr. Oates, testified:

I am Assistant Trust Officer of the Chase National Bank of the City of New York. We are sub-depository for the Committee. There were $968,000.00 principal amount of the six per cent convertible gold notes; $3,302,000.00 principal amount of the seven per cent gold notes and 11,927 shares of $7.00 cumulative convertible preferred stock, on deposit with the Chase Bank under the deposit agreement with the Reorganization Committee on November 9, 1936. At the close of business December 5, 1936, there were on deposit with us, the sub-depository, $865,000.00 principal amount of six per cent convertible gold notes, unextended: $2,976,500.00 principal amount of seven per cent convertible gold notes, extended; and 9,912 shares of $7.00 cumulative convertible preferred stock. Since December 5th, and up to the close of business December 11th, I received a telegram from our office stating there were some additional deposits, and they were as follows: $3,000.00 of the extended notes; $29,000.00 of the unextended notes; and no preferred stock. The affidavit marked Committee's Exhibit No. 6 evidences my signature. It certifies to the same figures given in my testimony. The deposit of each of the notes and preferred stock concerning which I have testified was accompanied by a letter of transmittal and the withdrawals concerning which I have testified accompanied by written notice of withdrawal. I have brought to Tulsa with me all of the letters of transmittal pursuant to which the securities were deposited with me in acceptance of the amended plan of reorganization. I have facilitated the letters by run up of each list.

Mr. Oates: I tender them for examination and ask leave on behalf of the witness to withdraw them.

The Court: They may be withdrawn.

Mr. Oates: I formally offer Committee's Exhibits Nos. 4, 5 and 6 in evidence.

The Court: They may be admitted.

Oscar J. Berend was called as a witness on behalf of the Reorganization Committee, and on direct examination by Mr. Oates, testified:

Q. State your name, please? A. Oscar J. Berend.

Q. You have been sworn as a witness in this case? A. I have.

Q. Where do you live, Mr. Berend? A. Tulsa, Oklahoma.

Q. How long have you lived in Tulsa? A. Since 1918.

Q. What is your occupation? A. Appraisal engineer.

Q. Are you a registered engineer under the laws of Oklahoma? A. I am.

Q. Are you engaged in business for yourself, or are you associated with some company? A. I am engaged in business for myself, and as associate engineer with Madison and Davey.

Q. How long have you engaged in business for yourself? A. Since 1931.

Q. Prior to 1931 were you associated with some other company? A. With the American Appraisal Company.

Q. What is the American Appraisal Company? A. It is an appraisal company, devotes all of its time and efforts to making valuations and appraisals.

Q. For how long were you associated with the American Appraisal Company? A. I started with the American Appraisal Company in 1908.

Q. And how long were you with them at that time? A. For ten years continuously.

Q. And what was the nature of your work during that ten year period from 1908 to 1918? A. Mostly specializing in valuations of oil properties.

Q. And where were the oil properties that you evaluated during that ten year period? Just generally? A. In the United States.

Q. And after 1918 what did you do? A. I took a position with the Oklahoma Petroleum and Gasoline Company of Tulsa.

Q. What was the character of the work you did for that

concern? A. I went with them as efficiency engineer, and was later made vice president and general manager.

Q. How long were you with that concern? A. Two years.

Q. Then what did you do? A. Then I left them and went into the business of acting as broker.

Q. And how long did you act as broker? A. For about two years.

Q. Then what did you do? A. Then the American Appraisal Company had me open up an office here in Tulsa for them to better serve the oil business.

Q. And for how many years were you in the American Appraisal Company's Tulsa office? A. For one year then.

Q. Then what did you do? A. Then I went with Skelly Oil Company.

Q. How long were you with Skelly? A. For four years.

Q. And that brings you up to about 1931, does it? A. No, that brings me up to about 1926.

Q. What did you do during the period between 1926 and 1931? A. 1926 to 1928 I acted as a broker, and in 1928 the American Appraisal Company again opened up an office in Tulsa and put me in charge of it, and I had charge of that office until 1931 when it was closed.

Q. And it was then you opened your office in your own name? A. Yes, sir.

Q. And you are at the present time an independent oil appraiser? A. That is right.

Q. During your experience in appraising oil properties did you act as a representative of various concerns in the United States engaged in the oil production business? A. Well, I appraised properties belonging to various oil companies.

Q. Will you please tell me the names of a few companies whose properties you appraised in your various relationships as you have described? A. While with the American Appraisal Company some of them were the Gulf Oil Corporation, Eastern Gas and Pipe Line Company, Indian Refining Company, Oklahoma Petroleum and Gasoline Company, Chesnutt & Smith, Sinclair Oil and Gas Company, and quite a few others.

Q. Since you have been engaged in business, since 1931 here in Tulsa, in your own name, have you appraised oil properties? A. Yes, sir.

Q. For whom have you done that work? Just name a few

companies? A. Sinclair-Prairie Companies, Standolind Company, Carter Oil Company, Gulf Oil Company, Phillips Petroleum Company, and I was employed on one job for the American Appraisal Company to appraise the Republic Oil Company in California.

Q. Are you familiar with the properties of Deep Rock, that is the producing properties? A. Yes, sir.

Q. Have you appraised properties situated in the general fields in which the Deep Rock properties are situated? A. Yes, sir.

Q. That is the fields in Oklahoma and East Texas? A. Yes, sir.

Q. Mr. Berend, I show you a return and certificate of Mr. Greis as Trustee dated December 11, 1936, evaluating the properties of Deep Rock, in the form of a consolidated balance sheet showing a value of assets, less current liabilities, of $16,847,348.37, and attached appraisal report showing the aggregate value of the fixed assets, that is the real estate, oil and gas leases, oil wells and equipment, pipe lines, tank cars, refineries, distributing stations, facilities, etc., at $9,508,848.37, and I ask you whether or not you have given study to the appraisal of the fixed assets aggregating the Nine Million Dollar figure as made by the Trustee? A. I did.

Q. By the way, have you studied the various working papers and engineers' reports and computations which go into making that total? A. I did.

Q. Are those voluminous, or not? A. They are.

Q. How voluminous? Can you give some indication? A. Very voluminous. They have gone into a great deal of detail.

Q. Have you checked the methods used in reaching that Nine Million total for fixed assets? A. I did.

Q. And have you checked the results arrived at by the use of those methods? A. I did.

Q. Are you at all familiar with the properties themselves? I mean, have you seen the refinery, for instance? A. I did.

Q. Have you seen any of the other properties? A. Not specifically. I have seen them from time to time in my trips around through the oil fields, but outside of the refinery and the main pipe line pump stations I didn't go over any of these specific properties in this instance.

Q. That is during your check of the Trustee's appraisal? A. That is right.

Q. Who asked you to study and check the Trustee's appraisal in this case? A. Mr. Francisco telephoned my office and asked me to come over to his office, and Mr. Greis was there and they asked me to do this work.

Q. Now what in a general way are the various classifications of property which go into that Nine Million Dollar total of fixed assets? A. Producing oil properties, and undeveloped leases, and royalties, and some producing royalties, and refinery, seven casinghead gasoline plants, pipe lines, and a gas pipe line, tank cars, tank farm, bulk distributing stations and retail stations, and other minor items.

Q. Now taking these various classifications up one at a time, I wish you would tell the court what method was used by Mr. Greis in evaluating the first class, namely, the producing oil properties? A. On the producing oil properties the recoverable oil reserves were estimated, in the case of the older and settled properties based entirely on past performance of the properties; in the case of those properties in the flush fields that were being produced under proration, the reserves were estimated according to the best known methods and practices in the oil business at this time. After the reserves were determined the selling price of the oil was estimated, and deducted from that was the cost of production, which was arrived at by taking their actual experience on these specific properties for the year 1935, and also the overhead expenses, which was also taken from their actual experience, and that figure was deducted from the gross returns. The net returns were then treated by a discount factor, which would give the per cent value of the future income from these properties, which was then ascribed as the value of those properties.

Q. Now what was the method— A. Pardon me. To which was added the per cent value of the future salvage of the oil properties after the end of the economic life of the properties.

Q. Now what was the method used in computing the value of the nonproducing leases? A. They were in a large part given the value of cost, except in such cases where there was specific information on something that would effect the value since they were purchased; either to raise or lower the value, and in most cases where those values were changed the values were lowered, mostly because of the very short period of the

lease life remaining. In other cases there had been some development and some trends which indicated the values of the properties were greater than cost, and in such cases they were given a value which were commmensurate with the substantial opinion in the trade on such properties.

Q. Were the same methods used for buildings and pipe lines, and refineries, and tank cars, and similar properties? A. In the case of the physical assets, like the refineries and the pipe lines, the property was what is known in the appraisal business as visible and complete, quantities taken off from which a contractor familiar with those character and class of properties could make an estimate. Those quantities were then priced according to present market prices, labor cost, labor efficiency, and other factors which enter into value or cost.

Q. Including material prices? A. Including material price, yes, sir. Then their engineers estimated the remaining useful life of the various items.

Q. How did they estimate that? A. From their experience. And this remaining useful life was divided into the cost of reproduction, giving a value per year of the property. Then the depreciation rate usually and customarily used in the business and allowed by the Internal Revenue Department was taken and the remaining life in years was multiplied by that depreciation factor. Then that unit was taken and the yearly value multiplied by that same factor, giving the value of the remaining life of the property. In short, a depreciation per cent, total factor, was established on each unit and the cost of reproduction was multiplied by that factor.

Q. Now have you described the principal methods which were used in evaluating the various classifications of property? A. Generally, yes, sir.

Q. Do those methods which were used and as you have described them meet with your approval as a fair, accurate, enlightening way to appraise the value of property? A. Yes, sir.

Q. In your study and check of the appraisal of these fixed assets aggregating Nine Million Dollars, did you yourself review the working papers and check them? A. Substantially, yes, sir.

Q. Did you talk with the various men and engineers who took part in the development of this appraisal? A. With all of

them except those that valued the retail stations and outlying bulk stations.

Q. By the way, how were those *retain* stations evaluated? A. On practically the same basis as other properties, except those stations which were located on leased sites, and in those cases they were treated, depreciated on the basis of the remaining years of life of the lease.

Q. Now the properties of Deep Rock on leased sites, that is filling stations, consist substantially only of the equipment, don't they? A. That is all.

Q. Now in your study of this appraisal and your checking these various methods of computing value, and in your review of the computations, did you detect any impropriety of method or calculation? A. None.

Q. Did you see any evidence which would indicate that a conscious attempt was made in connection with the appraisal to put too high a value, either too high or too low? A. No, there has been no attempt made. The men that I talked with seemed to be operating under instructions just to make an appraisal.

Q. That is to find what the value was? A. Yes, sir.

Q. Have you an opinion from your study of this appraisal and your check of the methods used and computations used as to what the full, fair value of these fixed assets included in this Nine Million Dollar figure are? A. My opinion is that it is a reasonable, fair valuation to a going concern.

Q. What do you mean by a going concern? A. One that will continue to operate these properties and make the best of them.

Q. Would the value in your opinion be more or less than the Nine Million Dollar figure shown, if it wasn't evaluated for a going concern? A. Well, if it was valued as being a willing buyer and a willing seller, the value would be substantially lower.

Q. If it was valued for the purpose of liquidating and sale, would the value be lower? A. Yes, sir.

Q. Have you an opinion as to the value which you would have concluded these properties to have if you had performed all of the details of the appraisal yourself from the beginning? A. I believe that if I had done this work myself all the way through, that my value would not vary ten per cent in either direction.

Q. That is either up or down? A. Either up or down, yes, sir.

Q. Have you ever had any relationship with H. M. Bylesby & Company? A. No, sir.

Q. Standard Gas & Electric Company? A. No, sir.

Q. The members of the Reorganization Committee? A. No, sir.

Q. Except for our talk Friday afternoon have you ever seen me before? A. No, sir.

Q. Corresponded with me? A. No, sir.

Q. Have you ever done any work before for Mr. Greis? A. No, sir.

Q. The Deep Rock Oil Corporation? A. No, sir.

Q Mr. Francisco? A. No, sir.

Mr. Oates: Cross examine.

The Court: Any cross examination?

Mr. Honigman: Yes, sir.

Oscar J. Berend, on cross examination by Mr. Honigman, testified:

Q. Mr. Berend, are you familiar with the history of the oil industry in the past twenty years? A. Yes, sir.

Q. And can you tell us what has been the history of the oil industry in the past twenty years, in a general way; the fluctuations and uncertainties, and problems that have come up, major problems? A. The oil business is primarily based upon a branch of the mining industry, and it therefore a rather hazardous business. Up until possibly four years ago it was subject to over-production, and under-production, which resulted in wide price fluctuations, and the business was upset with all the attendent difficulties and troubles that would follow such conditions.

Q. Now the nature of these price fluctuations were of what type? To what extent were these price fluctuations during this period. Tell us about approximate years? A. Well, we will go back to 1918 when the posted market price was $3.50 a barrel, down to 1931 and 1932 when the posted price of crude was in some cases down to thirty cents a barrel, and much crude was being sold as low as ten cents a barrel.

Q. In about the first part of 1930 what was the condition of the oil industry? A. In the early part of 1930.

Q. Well, the last of 1929, December of 1929? A. It was just getting into its worst period of price fluctuation that it had seen.

Q. Approximately what was the price of oil the first part of 1930, or last of 1929, December say? A. It was then around a dollar a barrel, a dollar, a dollar twenty-five, a dollar fifty, depending on grades.

Q. Had that fluctuation from 1918 to 1930, the first of 1930, had that been a steady downward trend, or had there been material fluctuations during that period? A. It was a steady downward trend.

Q. So that when we get to 1930 we had approximately a dollar a barrel paid for oil as a result of a constant decline practically for a period of some twelve years, at least? A. Well, for a twelve year period, there were some periods in there where the oil went up temporarily, but it didn't stay up very long, but generally speaking it was on a down grade. The high price of $3.50 a barrel was occasioned by demand due to the war.

Q. Now since the early part of 1930, tell us by years roughly what has happened to oil prices? A. They were going down until 1932, or early in 1933, when properties were put under proration, production was checked, the supply thereafter was controlled, and prices were set up at an approximate basis, arbitrarily to a dollar a barrel.

Q. That took place the early part of 1933? A. Yes, sir.

Q. And up to the point that took place you say oil had gone to as low perhaps as ten cents a barrel? A. It was selling for ten cents a barrel, yes, sir.

Q. Since the time proration was commenced in the early part of 1933, what has happened to oil prices since? A. They have remained rather fixed.

Q. And about what figure? A. Around one dollar a barrel.

Q. Have there been some recent evidences of increases? A. During this month there has been some discussion, and some small companies have announced they are going to raise the price seventeen cents a barrel the first of the year.

Q. That is practically a seventeen per cent increase over the present selling price, is that it? A. Yes, sir, seventeen cents a barrel.

Q. I asked you if that is approximately seventeen per cent over the present selling price? A. It is on present crude at one dollar a barrel, yes, sir.

Q. Now then in determining the value of oil in the form of producing wells, or non-producing lands, leaseholds owned, the price that is paid for the oil is a very material factor, is it not? A. It is.

Q. Because after estimating the amount of oil reserves you have got to multiply by a certain figure, and that figure is the price you used? A. The price they estimate they are going to get for the oil.

Q. And for the purposes of this appraisal I assume the price has been estimated at about a dollar a barrel? A. It was.

Q. In the subject of appraising oil wells, are there considerable uncertainties as to the estimates, or values? A. The more flush, or the newer the properties are, the greater the uncertainties. The older the properties and the longer the record of free production, the more uncertainties are eliminated.

Q. For the purpose of the record, will you please tell us what is flush production? A. That is new production, which has very little history or performance.

Q. And how long after an oil well is brough in is it considered to be flush production? A. Well, that is controlled largely by the character of the property. Sometimes a year, or two, or three, or four years under restricted production, where the property has not been allowed to produce freely, the property cannot disclose its nature from which to make an engineering estimate of what it is going to do in the future.

Q. In other words, where we are dealing with prorated situations, as we are today, it becomes that much more difficult to estimate its future reserves, is that it? A. That is right.

Q. In examining the data that was submitted to you, what percentage of the producing wells of the Deep Rock would you say were under flush production? A. Well, a very small percentage of the total number of wells were under flush production.

Q. About what percentage? A. Less than twelve per cent.

Q. Well, how much less? Between eleven and twelve you

mean, something like that? A. About eleven per cent would catch it.

Q. Out of a total of how many wells? A. 488.

Q. How do you determine that a well has ceased to be under flush production, and is not settled production? A. When we draw a decline curve from the record of the production that a well has made, and the years or periods in which that production was made, we get a curve. When that curve changes from vertical to horizontal, and gets to be more horizontal than vertical, then we figure it is getting on a settled basis.

Q. As to wells that are on a settled basis, are they also subject to proration? A. In some cases, yes, sir.

Q. Do you know what percentage of the settled wells of the Deep Rock are subject to proration? A. No, I couldn't give that figure right now, but a rather small percentage of that.

Q. Well, have you any estimate as to the percentage of settled production that is under proration? A. No, I wouldn't want to make such an estimate. I didn't review it in that light.

Q. That question of whether a well is under proration is a very important element in determing its value, is it not? A. Yes, sir.

Q. So that a settled well that is producing ten barrels under proration is worth more than a settled well that is producing ten barrels that is not under proration? A. Yes, sir.

Q. And to what extent more might it be worth? A. Well, that depends on the surrounding circumstances, and each property has to be reviewed separately to determine that.

Q. In other words, you cannot even look at the particular field and know what to do about it? A. No, sir.

Q. The nature of the oil business is such, is it not, that one oil well might be very valuable, and one within one hundred feet of it might be of very little value? A. That is true.

Q. So that in determining values in oil properties you practically got to consider each well separately? A. Each well or each property. Usually consider the properties as a unit.

Q. But in determining the value of the property you in turn have got to consider the value of each well? A. To a degree, yes, sir.

Q. Now then on settled production, Mr. Berend, you say

under those circumstances the estimate of the future recoverable oil is more likely to be correct? A. On settled production?

Q. On settled production? A. Yes, sir.

Q. And even on settled production there are certain hazards that effect the oil industry that make a little more than a guess, is that right? A. No, that is not right.

Q. Well, is it true that a well may be dug to a certain level, and then arrive at a settled production, and then later on a well may be dug along side of it at a greater level, and you find an entirely new supply of oil that may be more than what was originally produced from that well, is that right? A. I gather that you mean a well is drilled to one producing horizon and then later a deeper well will open up another producing horizon?

Q. That is correct. A. In such case it would materially effect the value of the property.

Q. And that is something when you are judging the value of an oil well you cannot tell about, whether a deeper strata would produce a new source of oil? A. No sir, we can't tell that.

Q. Sometimes you are faced with a situation where you get a settled production and acidation is required, or used, will that often change the complete outlook of that particular well? A. In certain properties that are located in the lime area and producing from a lime formation, it will materially change your production curve.

Q. And treating with acidation it is very difficult to tell what the result of acidation would be? A. That is true.

Q. Now other situations have arisen, have they not, where a repressuring by oil, gas or water might change the entire outlook of a settled production well? A. Yes, sir, that has occurred.

Q. And as a result of such repressuring that well might produce much more oil than it ever was originally estimated to produce? A. That is true.

Q. As a matter of fact that has been a recent occurrence in this section in a rather important field, has it not? A. Yes, sir, and it has been tried for years back in the eastern fields.

Q. That happened in the Nowata field, is that right? A. Yes, sir.

Q. And as a result of that what has resulted? A. It is still too new.

Q. As a matter of fact the Nowata field was considered to be pretty much played out up to the point of the repressuring? A. The properties were considered thoroughly depleted under the then known methods of production.

Q. So that right now, however, the Nowata field is somewhat in the nature of a flush production field, is that it? A. They are producing more oil, yes, sir.

Q. Another method that may be used at times in a settled oil well is to put in a shot of nitroglycerine, is that right? A. Yes, sir.

Q. And that often has the result of creating a source of supply of oil that was never thought of before? A. No, it was thought of, otherwise the shot would not have been tried.

Q. Well, it was thought of, but it certainly could not have been calculated on in figuring the future reserves of the property? A. That is true, but those shots are usually placed in a well with a reasonable assurance that it is going to get results.

Q. I imagine that is one of the gambles of the oil industry, is it not?

The Court: That is right. The oil business is very interesting and uncertain. They take a lot of chances and shots.

Q. (By Mr. Honigman) Now in addition to these different things that we have spoken of that may effect estimates on even settled production, we have the element in the oil industry, like other industries, it is subject to new inventions and discoveries as to methods of finding oil, is that right? A. That is true.

Q. So that among other gambles in estimating the future oil, is the gamble incident to the fact that new discoveries may be discovered, new methods of getting oil out of the ground? A. That is true, even to such an extent as to wreck the price of crude oil.

Q. Unless proration continues? A. Unless proration continues, yes, sir.

Q. Now when were you hired to examine into the Deep Rock situation, Mr. Berend? A. A week ago last Saturday, I think December 5th.

Q. That would be the 5th of December, 1936? A. Yes, sir.

Q. Since that time what have you done in the way of exam-

ining into the values of these properties? A. Checked the methods of procedure used by the various departmental heads and engineers that were assigned this particular work by Mr. Greis. I checked with them thoroughly as to their mental attitudes and calculations.

Q. Just a minute. What do you mean by mental attitude and calculation? A. Getting an idea of their mental attitude toward the proposition.

Q. What sort of mental attitude are you speaking of? A. Whether they were equipped mentally to do this kind of work, or whether they were purely operators and had no idea of values. Now a man may be an excellent refinery man and have absolutely no idea or knowledge of values, or what goes to make value of equipment. I entered into this proposition substantially in the capacity of an executive of an appraisal organization to serve my assistant to see how they were doing the work, and why they did this, etc., with relation to how it would effect the final results.

Q. Mr. Berend, you entered into that situation after all that work had already been done? A. Yes, sir.

Q. And after all that work had already been done by men apparently who do not make a business of appraising properties? A. That is right.

Q. Nevertheless you thought that they used accepted methods in their work? A. They did use accepted methods.

Q. You yourself haven't gone out to the oil wells that Deep Rock owns? A. No, sir.

Q. And have you made any thorough examination of your own of the refinery? A. I did.

Q. Did you make a thorough examination of the pipe line? A. Of a few of the pump stations, yes, sir.

Q. Through all the pump stations? A. No, just the main ones; just two of them.

Q. And have you made a thorough examination of the tank cars? A. I saw about ten per cent of them.

Q. Did you make any examination of the distributing department? A. No, sir.

Q. Did you examine the casinghead gasoline plants? A. Two of them.

Q. How many of them are they all together? A. Seven. Only three of them operating.

Q. Did you do anything to examine the nonproductive leasehold? A. Except from the map.

Q. Did they show you on the map where all these nonproductive leaseholds were located? A. Yes, sir.

Q. May I see the figures, the final figures as submitted by the Trustee?

Mr. Honigman: I assume, Your Honor, these are part of the record without being marked as an exhibit?

The Court: Yes, it is part of the record.

Q. (By Mr. Honigman) When I used the word nonproductive a moment ago, I mean undeveloped land? A. I assumed that is what you meant.

Q. Now the undeveloped oil and gas leases, the royalty interests are listed here at Four Hundred and Twelve Thousand Dollars roughly. To what extent was the value of those undeveloped lands, or leaseholds, used as a cost figure? In other words, to what extent was the cost figure used in those? A. Well, I would not be in a position to give a good estimate on that. The values were arrived at in detail and then totaled up, and I would not be equipped to make an estimate on percentages.

Q. Isn't it rather important in connection with undeveloped oil reserves to determine what basis was used, and to the exact extent the basis was used? A. Yes, sir, but that was given consideration in each item. We made up this list of some,—there were a list of 1039 undeveloped leases.

Q. Totaling how many acres? A. Totaling over 109,000 acres. Each lease was ascribed an individual value.

Q. In order to estimate the value of such undeveloped lands it is necessary generally to look into each separate situation, is it not? A. Yes, sir, except in what is referred to in the oil industry as rank wild cat leases, which have a current value of one dollar, or two dollars, or five dollars or more.

Q. But even wild cat leases may vary very materially as to the value, may they not? A. To the extent that I have mentioned about, that is all.

Q. And if a well were drilled about, we will say a thousand feet away from an oil lease that you held, would that *effect* the value, and the well turned out to be a producing one, we will say, would that *effect* the value of the oil land that you held about a thousand feet away? A. Decidedly.

Q. And to what extent might it *effect* that value? A. It may change the value from a short period before the operation of the drilling of the well was started, change the value from two dollars or a dollar an acre up to Ten Thousand Dollars an acre.

The Court: You get into real speculation there overnight.

Mr. Honigman: That is what I want to bring out, Your Honor.

The Court: Yes.

Q. (By Mr. Honigman) And the prices that would be paid are almost, we are almost unable to estimate the price it might go to, depending on how much oil that may be discovered in the vicinity? A. That is true.

Q. And if there is more than one oil well brought in in the vicinity, the prices would go up appreciably higher? A. Well, that depends on how much better or how much worse than the original well the next well would be.

Q. If it was better? A. The price would go higher, and if it was a dry hole or a failure, the price might slip way back.

Q. That is the very nature of the oil business? A. That is what I intended to convey in the beginning, that it is a highly speculative business.

Q. These undeveloped lands that are listed at approximately Four Hundred Thousand Dollars might as a matter of speculation been developed, or because of development of adjacent lands become worth many times that figure? A. That is true.

Q. Now in buying oil properties for the purposes of development, does a company go about promiscuously and buy any land that is not occupied? A. No.

Q. What do they do? A. They maintain a geological department, as a rule.

Q. Does this company maintain one? A. It does.

Q. And what do they do before they even buy an undeveloped acreage? A. They usually consult with the geological department and get what information they can secure from the outside, from other oil companies' executives, and from trends in certain directions. A wildcat lease is valueless if you merely buy it and nobody goes into that territory with a drill. So when it becomes generally known in the industry that there is

going to be a trend in a certain territory, in a certain area, that creates activity, and the oil company wants production regardless of geology. If there is activity there is a chance to discover oil, and companies usually like to be in that play.

Q. So that there is a considerable element of judgment used in acquiring even undeveloped properties? A. Most companies, including the Deep Rock, try to use the best judgment that can be used. They use every bit of available information and all geological information and everything that they can learn to buy such acreage.

Q. They rely pretty much, do they not, on the same kind of information you rely on in appraising properties, geological information? A. They rely on information and use it, and I try to learn what they do, and that helps me to make up my mind, because in valuing properties an appraiser doesn't make or create values, but tries to reflect the substantial opinion in the trade which make values.

Q. In your examination of the map which was shown you as to the undeveloped properties of the Deep Rock, what is your opinion as to whether they used fair or good judgment in the acquisition of these properties? A. I say they used about the same kind of judgment you will find in any other oil company, large or small; they used about the same kind of information as in the same general areas or territories like the other companies.

Q. Now these undeveloped lands, did you notice how long these lands had been held by this company? A. I checked several, yes, sir. Some ten year leases have only a year to run. Many more leases they have had have expired by their own terms, and they will run anywhere from three months a lease that has been purchased recently, either on an original five or ten year basis.

Q. Can you give us any estimate as to the different classifications that these undeveloped leases, as to the length of time the leases have to run? A. No, we didn't classify them that way, and my time was too short, but I will make such statistical records available.

Q. Isn't that type of information very material, however, in estimating the value of undeveloped land? A. Not if you value each individual lease according to its own merits.

Q. So that each individual lease must be valued according

to its own merits even on undeveloped land, is that it? A. Right.

Q. Doesn't the fact that a lease has longer to run give you an additional gamble that in the meantime somebody may make that lease very valuable? A. That is true.

Q. Now in connection with the producing properties, did you examine into the situation as to how long these particular wells have been owned by this corporation? A. Yes, sir, I examined a very large number of the properties, and the production records and production curves, in a cursory way, however, but examined them to see the production records and production curves. I examined them rather thoroughly.

Q. And in the course of your examination of these records did you come to any conclusion as to how long these producing properties have been owned? A. Well, yes, each property sort of had its own earmark as to how long it had produced. Some not so long, and some quite a long time.

Q. The thing I want to know, how long have they been owned, Mr. Berend? Did you get any information how long these particular wells have been owned by Deep Rock? A. Substantially all of the properties, there might be some exceptions, were developed by either the Deep Rock Oil Company or Corporation and its predecessor, the Shaffer Oil and Refining Company.

Q. Well then with but few exceptions there are no new producing wells? A. There are new producing wells, but most developed by this company.

Q. So there were some new producing wells, is that it, but mostly old, is that it? A. Yes, sir.

Q. And about how old was the production life of most of the wells? A. Some of the wells located in the Drumright-Cushing district are over twenty years old.

Q. What percentage of the producing wells owned by Deep Rock would you say are of the class of over twenty years? A. I would not be equipped to estimate that. I didn't review it in that light.

Q. Can you give us what percentage of the producing wells of Deep Rock are in the class of being over ten years old? A. No, I wouldn't try it.

Q. Can you give us any rough estimate on that? A. No, I wouldn't try it.

Q. The question of the length of time that a well has been producing is, however, of major significance in evaluating a well, is it not? A. It gives you a better basis on which to cast your estimate of what it will do in the future.

Q. Did you notice at all to what extent new wells have been developed in the last five years by Deep Rock and are now producing? A. Each property would disclose that in its review of the property, but I made no separate calculation of the percentages that would be on the total.

Q. Did you in the course of going through it make some estimate in your own mind as to how many new wells were producing? A. No, I made no attempt to gather statistical data. Every bit of my time in reviewing these properties was made with a view to determining the individual values of the individual properties.

Q. Mr. Berend, if you were making this appraisal yourself how long would it take you to make an appraisal of the value of the producing department of Deep Rock? A. Just working by myself?

Q. I will put it to you this way. If the matter had been given to you as the local representative of the American Appraisal Company? A. Well, that would depend on the size of the crew we put on the job. If we had ten men, we could do it in a certain time; if we had twenty men we would do it in less time.

Q. In the first place, if you had to do it alone how long would it take you? A. I believe it would take about six months roughly.

Q. You mean to say that you wouldn't want to be bound by any appraisal you made of it unless you spent about six months on this producing department? A. No, I didn't say that.

Q. Why would it take six months? A. If I had made this appraisal in the sum total in which this company made the appraisal, it would take me about six months acting individually.

Q. Well, forget about what this company did and put it this way; if you had been given the job to make this appraisal alone, as to your judgment of the value of the producing department of Deep Rock, how long would it have taken you? A. If I didn't have to gather a lot of detailed information, and was merely permitted to make an estimate of the value which did not have to be proven, and did not have to be substantiated,

give just an estimate of the value of the properties, it could have been done in a month.

Q. But you mean if you had to go ahead and prove what you did, you would want about six months? A. If I had to prove or explain it I would have to take about six months to get all the detailed information to answer questions from.

Q. In this particular instance you have only had about a week, you state? A. That is about right.

Q. Now what has been the average daily production of the producing properties of Deep Rock? A. About forty-three hundred to forty-five hundred barrels a day net to the company.

Q. What do you mean by net? A. That is their share of the oil after partner's interest and royalty has been deducted.

Q. And that has been their average producing during what period? A. Well, it has held fairly steady through the last two or three years.

Q. Do you know what it was prior to that time? A. It used to be a little bit higher; there has been a gradual decline.

Q. About how much higher was it? A. It was up to fifty-five hundred to six thousand.

Q. About how far back was it up to fifty-five hundred to six thousand? A. About four or five years ago.

Q. Now in order to maintain a fairly even production of oil, it is necessary to continue to acquire new oil properties, is it not? A. Yes, sir.

Q. And in this situation is there any evidence to you that Deep Rock has continued to acquire the necessary amount of new oil reserves in order to keep up the production? A. Well, that is merely an opinion. I believe they are doing real well.

Q. When you say real well, what do you mean? A. Well, they probably haven't gone out and bought as much acreage as some other company would that had a lot of money to spend and gamble with, but I think Deep Rock have done a very good job with the little money they have used to buy production acreage.

Q. And does the fact that the production has maintained a pretty steady level for the past three or four years indicate to you that they have been bringing in sufficient new oil to take place of whatever old oil they have been losing? A. They have properties now that are prorated that could produce a lot more oil if they were turned loose. I believe that

they have opened up reserves and have properties that are as well balanced with their refinery capacity as any other oil unit that I know of. They have today, roughly, forty-three or forty-five per cent of their own requirements in their own production, which brings with it the partner's interest and the royalty interest, and gives them a pretty nice controlled production for their refinery.

Q. Which is a very valuable thing, both from the refinery standpoint and the producing standpoint? A. It is a nicer thing for the refinery; the producing department can always find a market for its oil, but a refinery cannot always find oil for its plant.

Q. With what you say they have maintained a balanced situation, would you say that it appears that they have spent less money as was required to keep its production at probably the same level, if they continued to spend at probably the same rate? A. I didn't check into how much money they spent. I would say from my survey of the properties that they have held a very nice balance. I don't know how they have done it, how much money they spent, or how little they spent.

Q. Well, regardless of the actual amount that it figures, it appears to you at least that they have spent whatever should be spent for the purpose of keeping itself a going concern, producing at a fairly uniform level? A. I would say that whatever they spent they have produced desirable results.

Q. Would you say they have spent whatever was reasonably necessary to keep this company producing at approximately the same level? A. I believe so.

Q. Now in examining,—did you examine anything about the gas wells? A. No, I didn't go on to their gas properties. They had some wells in Oklahoma, but the major gas property is located in Kansas.

Q. Going back to the oil properties, did you also determine what their potential daily production is, assuming that there were no proration? A. No, I didn't do that. It is a useless gesture because it doesn't mean much. The proration figures, or potentials, are taken in so many different ways. When a well is given a potential of twenty thousand barrels a day, that doesn't mean in the opinion of an oil man it would produce at the rate of twenty thousand barrels a day for a length of time, and to determine the potential of properties under proration is merely a gesture.

Q. Well, prior to the time that proration came into existence, oil properties were valued, based upon potential daily production? A. Yes, sir.

Q. And that potential daily production was the unit base, per barrel daily average production was the unit base? A. That is true, and it was used because the well was given an opportunity, an unrestricted opportunity to disclose its nature, its character, so when you used that potential you had no adjustments to make whatever; the well has shown its character itself.

Q. Of course even today, Mr. Berend, a well under proration that is deemed to have a greater potential average daily oil recovery is worth more than a well under proration that is deemed to be producing its maximum anyhow? A. Oh, that is true.

Q. And that difference is a very substantial difference, is it not, in the value of the oil well? A. That is true.

Q. So that the potential daily production is still a very important element in determing the value of an oil well, though not necessarily the controlling one? A. It is an element, yes, sir, but in this case we had only two districts that were under proration where that would be an important consideration.

Q And about what percentage of the oil wells did that affect, the producing wells did that affect? A. The same percentage given before, about eleven per cent.

Q. Would you say that only about eleven per cent of these oil wells are under proration? A. No, but those are the ones under severe proration.

Q. What do you consider severe proration? A. A very small percentage of the potential.

Q. How small? A. Two, three, or four per cent.

Q. Other than this eleven per cent, what other percentage was under proration? A. I couldn't give you an estimate of the percentage.

Q. What would you call a twenty per cent proration, would that be a severe proration? A. Depends on how the potential is taken.

Q. For purposes of the opinion that you have given us, have you considered that those wells that had a twenty per cent proration were under severe proration? A. No, I didn't consider that severe.

Q. A well that is under twenty per cent proration, it means that it can only produce twenty per cent of its potential per day? A. Potential as established in that district; whatever method they choose to use.

Q. That is right. At least it is the only method that has been used in determing potentials? A. Methods of establishing potentials vary in different fields and different states.

Q. As a matter of fact it also varies with different experts, does it not? A. Well, potentials are usually taken under Commissions representing states.

Q. And are those Commission figures used by the oil companies? A. They are supposed to.

Q. That doesn't mean that they do? A. Why I don't know.

Q. In buying oil properties are people generally limited to the opinions of the Commission as to the potential, or do they use their own independent judgment on it? A. They use their own judgment.

Q. And those judgments differ with different individuals, do they not? A. They do.

Q. And they also differ with different experts, do they not? A. They do.

Q. I see, Mr. Berend, that the final report of the Trustee doesn't contain the break-down as to reproduction values contained in the preliminary report. Did you notice the same thing? A. Yes, sir.

Q. Have you got a copy of the preliminary report, or estimate of values by the Trustee? A. No.

Q. I show you Intervener's Exhibit No. 7, that is a copy, is it not, of the preliminary estimate of values in so far as they affect fixed assets as prepared by the Trustee? A. It seems to be.

Q. The reproduction value of the pipe line is what figure, as appears on Intervener's Exhibit 7? A. On intervener's Exhibit No. 7 the reproduction cost of the pipe line department is $1,735,431.37.

Q. Did you agree with their estimate of the reproduction value, or the reproduction cost? A. I didn't check against this figure. I checked against another figure that is incorporated in the final report.

Q. Assuming that figure of reproduction cost to be correct,

do you still believe that the figure as used in the final report is probably—

Mr. Oates. Your Honor please, I think the witness has made clear that he checked against the figures used in the final report.

The Court: He just asked him, assuming that the preliminary report agreed with the others. I assume the figures are different. One is an estimate, and the other is a final report, as I understand it. I don't see any point to it, but I will let it go in. I might estimate a crib would hold forty bushels of corn, and you might go out and measure it and it would hold sixty bushels. Of course I would agree with his measurement.

Mr. Honigman: Your Honor please, this entire appraisal is not this man's independent appraisal.

The Court: I agree that is correct. I don't know what the actual figures in the final report are, but you asked him, assuming the preliminary estimate is correct, would he agree the final figures are correct.

Mr. Honigman: No, I asked him, assuming the preliminary figures of reproduction cost.

The Court: But I don't know that figure is an estimate.

Mr. Honigman: That is correct.

The Court: Now the final report they filed has reproduction cost?

Mr. Honigman: No, that is not so. Here is what they do. In the preliminary estimate they show One Million Seven Hundred and Twenty Thousand as estimated reproduction cost, and estimated value as of December 1, 1936, is Six Hundred and Ninety-Four Thousand. Now I asked him if he had in mind an estimated reproduction cost of approximately that figure in arriving at that value.

The Court: Well, he said he used another figure.

Q. (By Mr. Honigman) Did you have in mind any estimate of reproduction cost, Mr. Berend? A. I had in mind those that were used to make the final report, yes, sir.

Q. Have you got the figures of estimated reproduction cost used in making the final report? A. Yes, sir.

A. And what figures were used for that purpose? A. For

the pipe line department, buildings, equipment and pipe lines only, $1,759,751.12.

Q. Do you think that that is a fair estimate of reproduction cost from the figures that have been shown to you? A. My check on that particular part indicated that that reproduction cost was high.

Q. Did you nevertheless agree with the value placed upon the pipe line department? A. I testified that their value was substantially correct; that if I made the appraisal from beginning to end myself it would not vary in the total ten per cent in either direction.

Q. Do you know anything about the condition of that pipe line? A. I have a pretty fair idea, yes, sir. I know the country it runs in, and have checked many other pipe lines of a similar nature and character.

Q. How long does a pipe line last after it is put in, assuming that you use proper maintenance of it, keep up proper maintenance of it? A. Well, if you replace, continue to replace the line that corrodes and wears out and gets full of holes, keep it up indefinitely—

Q. Certain items of expense in connection with a pipe line could properly be classed as maintenance items, and certain others as additions, isn't that right? A. Yes, sir.

Q. Assuming in connection with this particular pipe line that the items of maintenance were paid for, how much per year would you say would have to be spent for additional replacements in order to keep this pipe line going forever, as you say? A. Well, from time to time different sections of the pipe line would have to be taken up and replaced with new pipe.

Q. From your experience in the situation, about what on an average would have to be spent per year for that purpose? A. I wouldn't want to give an estimate.

Q. Well, haven't you any idea how long it takes for pipe to wear out? A. Pipes don't wear out; they corrode.

Q. And about how long does it take for a pipe line to corrode? A. Depends on the character of the soil it runs through, the nature of the country, and the amount of salt water and alkali, and such other foreign matters that have a bad effect on pipe, attacking the pipe. In addition to which there is a further liability for excelerating corrosion due to electrolosis.

Q. Taking all those elements into account, to what extent does the variation of limits it takes for a pipe to corrode? A. From one to thirty years.

Q. After looking into the situation of the pipe lines owned by Deep Rock, what would you say would be the average period during which it would take for these pipes to corrode? A. Well, in the Drumright district the pipe is commonly referred to as short life, because of the great amount of salt water coming with the oil in that district; not so much now as it has been in the past, but nevertheless salt is still in the soil, and it is continually corroding the pipe.

Q. In that district how long does it take pipe to corrode? A. I have known pipe in there that didn't last five years.

Q. And you have known pipe in there that lasted how long? A. Well, there are some original pipe in certain locations yet.

Q. How long has that been? A. Over twenty years.

Q. Now that is the worst area. What percentage of Deep Rock pipe line is in that area? A. A very large percentage of it.

Q. How much? A. I couldn't give you an estimate of percentage.

Q. Now taking the entire pipe line of Deep Rock, assuming the bad parts and the good parts, what is your estimate of what should be the average life of the pipe?

The Court: Just give him the best you can. A. You mean the life from here out?

Q. (By Mr. Honigman) From here out, yes, sir? A. Oh, four, or five, or six years.

Q. What percentage of the value that you attribute to pipe line, did you attribute to the pipe itself? A. A very substantial percentage.

Q. Well, how much a percentage? A. I don't have the details of that now.

Q. Have you any estimate of the percentage? A. I wouldn't like to make estimates without figures.

Q. Well, Mr. Berend, you came here for the purpose of testifying about this pipe line, did you not? A. Yes, sir.

Q. And did it occur to you that you would be asked for the break-down of those figures that were submitted to you? A. I didn't think such thing might happen, but I thought if

that was necessary we might have to bring in the records. I wouldn't want to testify from memory.

Q. Have you any estimate of how much should be spent per year in order to keep this pipe line in good shape? A. No, I made no such estimate.

Q. From your examination is this pipe line today in fairly good shape? A. In reasonably good shape, yes, sir, considering its age.

Q. So would you give us the opinion that as far as this pipe line was concerned, as much money was spent on it as reasonably should have been spent in keeping it up? A. I believe so.

Q. Now the casing-head gasoline department, what is the reproduction cost figures that were used in the final analysis? A. The buildings and equipment alone?

Q. Yes. A. $800,739.72.

Q. I see that in the final presentation of the value of the casing-head gasoline department the figure of $93,608.98 is used for buildings and equipment, is that right? A. Yes, sir.

Q. Now that apparently is a write-down from reproduction cost of about, it is written down about 88 per cent. In other words about twelve per cent of the reproduction cost? A. That is right.

Q. What is the reason for a heavy write down on that? A. Lack of supply of raw material.

Q. Just what is the casing-head gasoline department? A. A casing-head gasoline plant is a plant that extracts from the gas that comes from an oil well, that is the oil is saturated, and then transmitted to this gasoline tank, and by the choice of several methods the gasoline content from this gas is extracted and turned into a product known as casing-head gasoline. The resulting residue gas is either blown into the air, or put into a pipe line to be used as a fuel, if a market is near by and available.

Q. So it is sort of an inferior type of gasoline? A. It is not inferior; it is a by-product.

Q. And do casing-head gasoline plants have to be put right in the field where the gas is to be obtained? A. With rare exceptions, yes, sir, casing-head gasoline plants are located on either pipe lines that are in there, or right in the field where they handle the gas from oil wells.

Q. Now these seven casing-head plants of Deep Rock, are they located in fields where gas is produced? A. Yes, sir.

Q. And what effect did you give to the fact that four of them are closed down? A. They ran out of a supply of raw material to operate under, and therefore were purely salvage value; salvage value of only that part of the equipment and buildings which could be used. The other plants are almost to that point. There are only about four thousand gallons per day production of the three plants operating.

Q. And it is because of the fact the usability of these casing-head plants are limited because of surrounding conditions that you thought it was proper to write it down to that figure? A. I think proper.

Q. If production were available for those casing-head gasoline plants, their value to that extent would be a great deal greater, would they not? A. Indeed, yes, sir.

Q. In connection with the Cushing refinery, what was the reproduction values that were used? A. The reproduction value of the Cushing refinery, including the land,—do you want that included?

Q. No, let's have it without the land? A. Exclusive of the land was $4,071,858.00.

Q. Did that include the cracking plant? A. No, that is not a part of Deep Rock.

Q. Who told you that was not part of Deep Rock? A. The officials of the company.

Q. Which one? A. I think Mr. Francisco. We have a figure on it, however.

Q. What figure was used on that estimated reproduction cost? A. $956,297.00.

Q. Do you know whether it is profitable to operate that refinery without the presence of that cracking plant? A. I doubt whether it would be. However, the lubricating oil part of this refinery situation is the only thing that is keeping it running.

Q. Would you say that a cracking plant is an integral part of a refinery? A. If it is there, yes, sir.

Q. Could a cracking plant be run without the refinery? A. Yes, sir, but it would have to get its cracking stock from an outside source.

Q. Would that be a profitable operation? A. It could be under certain circumstances.

Q. Is that generally speaking done? A. Not generally speaking, no.

Q. Now in estimating the value, the present value of the Cushing refinery, what basis did you use? A. The cost of reproduction new of like kind, and equipped, and of exactly the same design and character of construction as is there today.

Q. And from that you took off certain figures for depreciation? A. I think that the estimated future life was multiplied by the depreciation rate to get the value of the remainder of the life.

Q. Just how was that done? Will you tell us, for instance, the reproduction cost on buildings and equipment on the refinery were Four Million and Seventy-One Thousand Dollars; what did you do to arrive at the present value of it? A. They took the quantities of brick that were required in brick settings, added transportation cost, hauling charges, cost of mortar.

Q. That is all included in reproduction cost? A. Yes, sir.

Q. Now after you decided what your reproduction cost would be, then how did you arrive at present value? A. The same as previously explained. The remaining economic life of the unit was estimated.

Q. The remainder economic life of the unit was estimated, who estimated it? A. Their engineers and employees.

Q. And what remaining life did they figure for it? A. It varied on different items of equipment.

Q. What would you say was the estimate of the remaining life of the plant as a whole? A. That would be a composite age that would have to be determined.

Q. Did you arrive at any such composite figure? A. No.

Q. So then each part of the refinery was taken separately and estimated as to its future life, is that it? A. That is right.

Q. By the way in this figure of One Million Seven Hundred and Six Thousand, that is used as a final figure for buildings and equipment, is the cracking plant included in that? A. What figure did you want?

Q. This figure of One Million Seven Hundred and Six Thousand under buildings and equipment, Cushing refinery? A. That is sound value.

Q. In arriving at that figure was the cracking plant included? A. Yes, sir.

Q. Now you say in estimating the future life then, each department was taken separately? A. Yes, sir, each unit.

Q. And how many different units were there to consider? A. Hundreds of them.

Q. So it was a matter of break-down of hundreds of items, is that it? A. That is right.

Q. Now in order to understand just what was done, let's say that a particular item, we will call that item X, has a reproduction cost of One Hundred Thousand Dollars, and has a future life estimate of five years, how did you arrive at the present sound value of it? A. And we need one more factor there. We would say, for instance, that the normal and general depreciation rate on that item was five per cent per year cast on a twenty year life.

Q. So that you would say that it was one-fourth of the reproduction cost, is that it? A. Yes, sir.

Q. In other words, you compare the remaining useful life to what should be the normal life, if it was new? A. Yes, sir. In some cases, in this particular instance the equipment is practically on a normal depreciation rate that is used is practically depreciated out, and there is still several years remaining life as estimated by the appraisers, which results in a little higher value than would have resulted if age had been disregarded and merely percentage value after deducting so much a year.

Q. In considering a refinery of this kind, have you ever come across any situations involving the sale of a refinery? A. Yes, sir.

Q. And when the refinery was purchased, was it purchased as a refinery, or along with some other units, such as the producing department, or pipe line department, or tanks, or distribution department? A. Oh, in pretty near every situation. Sold alone, as going concerns, as junk and scrap. In this particular territory where this refinery is located there have been five of them shut down, and are being dismantled, or have been to the extent it was found advisable.

Q. Did you sell, or did you have anything to do with the sale of any refinery that was just sold for the refinery part of it, without any of these other items, such as pipe line, pro-

ducing department, tank cars, and the like? A. In what capacity?

Q. In any capacity, I will ask you? A. In no other capacity except as an appraiser.

Q. Did you have something to do with appraising of properties where the property was being sold without these other units? A. No.

Q. In other words, in your experience you have had nothing to do with any sale of any refinery that was being sold separate from the pipe line, tank cars, producing department, and the like? A. No.

Q. As a matter of fact have you gone into the question of those things that a purchaser considers in buying a unit in the oil industry? A. Have I ever gone into those questions?

Q. Yes. A. Very much.

Q. And is one of the most important elements that is considered the question of earning power? A. Yes, sir.

Q. Undoubtedly that? A. Yes, sir.

Q. And when a prospective purchaser considers earning power, does he consider it from the standpoint of a particular department, or does he take the situation as a whole? A. As a whole, and different group of properties, whatever that comprises. That whole has to stand on its composite lights.

Q. Are you sufficiently well acquainted with the oil industry to know that one department of an oil unit is interrelated and dependent on another department? A. Yes, sir, I believe so.

Q. And in estimating costs for different departments are purely estimates, sometimes by rule of thumb, and very often just that? A. That is true.

Q. So that the only proper way to consider the earning capacity of a corporation, such as Deep Rock, is by considering the earning situation of the unit as a whole? A. Yes, sir.

Q. For instance, when the distribution department is shown to be operated at a loss, that doesn't mean that the distribution department is not an integral part of the business? A. That is correct.

Q. And that likewise doesn't mean that the distribution department is a very valuable adjunct of the business?

Mr. Oates: It doesn't mean it is likely to be a very valuable asset.

Mr. Honigman: I think your correction is well taken, Mr. Oates.

Q. (By Mr. Honigman) Let me put it to you this way, Mr. Berend. In considering the value of a corporation, such as Deep Rock, it is necessary to attribute a substantial value to the distribution department, even though as a department it appears to be losing money? A. Yes, sir.

Q. The purpose of a distribution department is that it affords an avenue of sale of the products produced at the refinery? A. A better avenue of sale. It can always be sold.

Q. The purpose of the pipe line department is that it affords a better avenue of accumulation of crude oil for the refinery, is it not? A. Yes, sir.

Q. The purpose of the tank cars is that it affords a better avenue of sale for the refinery products? A. Well, the tank cars aren't used hardly any more, although they are a conventional type of transportation for refinery products.

Q. It is desirable, for instance, in operating an integrated unit such as Deep Rock, to own your own tank cars than to lease somebody else's? A. Yes, sir, especially if they keep them busy.

Q. So tank cars have a particular use, having a value as an integrated unit, such as Deep Rock? A. That is true.

Q. In connection with these tank cars that are listed here, what reproduction value did you take for that? A. A reproduction value of $1,142,940.19.

Q. I see that the final report places a valuation on the tank cars of $291,481.99? A. That is right.

Q. What is the usual life of tank cars? A. Usually computed about twenty years.

Q. Actually some tank cars are in operation for a good deal longer than twenty years? A. Yes, sir.

Q. And Deep Rock in fact has some tank cars that are a good deal older than twenty years? A. That is right.

Q. When you place this figure of $291,481.99 on the tank cars, do you mean that those tank cars could be sold at that figure? A. Just as tank cars?

Q. Yes. A. No, I don't. I doubt whether they could be.

Q. Do you know what the average sale is of tank cars sold as tank cars? A. Well, they have been sold currently here

from $150.00 apiece, that is old ones, from $150.00 apiece up to $750.00.

Q. So that in turn for tank cars, so far as the ownership by Deep Rock is concerned, their chief value is that it is owned by an integrated unit of the oil industry? A. The value of those tank cars are because it is a part of a going concern, and they have use for them.

Q. The buildings and equipment in the distribution department, what were the reproduction value used on that? A. Of Deep Rock, just the buildings and equipment, $1,684,870.47.

Q. You didn't see any of those buildings, did you? A. Only such local buildings as I have seen from time to time.

Q. Well, that might only be perhaps less than one per cent? A. Yes, sir, just a cursory survey.

Q. You didn't examine them with a view of appraisal, did you? A. No, just my impressions.

Q. Now these real estate values in the distribution department, who placed the values on that? A. Usually by the District Managers in *colloboration* with the local real estate boards, and they seem to have gathered together a tremendous amount of information which has a bearing on land values. In some cases they were valued higher than the real estate boards estimated, and some cases lower, and in some cases they were valued about the same as the assessed valuation. Of course in other cases way above.

Q. You have no opinion of your own on the value of that real estate? A. I can't have, no, sir.

Q. And you know in turn that real estate is subject to wide differences of opinion as to values, even in the testimony of experts? A. Yes, sir.

Q. And the differences in value as thought by real estate experts are even less divergent than differences in values on oil properties, is that right? A. You mean real estate men's opinions on properties are less divergent than opinion of oil men on oil properties?

Q. Yes. A. That is true.

Q. Now then you have given us department by department the method of computation that was used in arriving at the total valuations here, is that right? A. Yes, sir.

Q. Did you take into account any other considerations besides those you have mentioned? A. Not that I can think of

now. The whole object was to determine a sound present day depreciated value of physical properties with relation to this value to a going concern; and in the case of producing oil and gas properties, leases and royalties, based on what they will do in the future.

Q. Based on estimates, you mean? A. Estimates of what they will do in the future.

Q. Now then you told us a little while ago that the extent of the earning power of a particular unit is a very important consideration in the determination of its value from the standpoint of sale? A. That is right.

Q. In this appraisal the earning power of Deep Rock has not been taken into account, has it? A. No, sir, except as to the producting oil and gas properties.

Q. But the net earning power of the whole pictnre has not been taken into account, has it? A. Not by me.

Q. Did they produce any figures to you on which you could take it into account? A. No, sir.

Q. So that that element, which to a purchaser would be one of the chief elements in purchasing, is not reflected in the appraisal on file here? A. That is true.

Q. Now you state that on the whole it was your present estimate that in so far as physical values of these properties are concerned, an appraisal of your own might show a variation of ten per cent either way? A. I believe so, yes, sir.

Q. In other words, might be ten per cent lower, or by Nine Hundred and Fifty Thousand Dollars, or higher by Nine Hundred and Fifty Thousand dollars? A. It might be, yes, sir.

Q. Do you know whether it might be more than that? A. I wouldn't want to qualify that statement any further. It is my opinion that it will fall somewhere in there.

Q. It is your present opinion it would fall somewhere in there, but you wouldn't want to say definitely it might not go beyond that? A. I would be willing to say it would not go beyond ten per cent higher.

Q. As a matter of opinion? A. As gathered from my survey, yes, sir.

Q. And that is just what might be called a very cursory survey? A. I wouldn't call it cursory. I worked pretty hard.

Q. I assume you have had to work pretty hard in the past week, Mr. Berend, but comparing a week's survey to a six

months' appraisal, that might be considered rather cursory? A. No, I wouldn't say so. We had so many factors that were presented to us, and assuming those factors were correct, my time allowance on this job wasn't very much too short. Officials of companies make up their mind on bigger things with less time than that.

Q. When they are rushed? A. When they need to trade quickly.

Q. Do you know of any particular reason why there was any need for rush of appraisal here? A. No, I don't.

Mr. Honigman: That is all.

The Court: Any further cross-examination?

Mr. Bodovitz: Yes, sir, a few questions.

Cross Examination by Mr. Bodovitz.

Q. If these properties were put up and sold at a forced sale, what is your opinion as to their value; what would they bring? A. Well, they would bring substantially less than the appraised value to a going concern.

Q. In your opinion how much? A. If they were thrown on the market as a whole. Well, depending on the time; if it was right now they might bring from ten to twenty-five per cent less.

Q. That is your opinion? A. That is my opinion.

Mr. Bodovitz: Thank you.

Mr. Honigman: I wanted to ask this witness one more question.

The Court: All right.

Cross Examination by Mr. Honigman.

Q. Considering your knowledge of the experience in the oil industry, what would you say of the first ten months of this year, as to whether it is a mean average of what could be expected from the oil industry? A. Well, I would say the oil industry would be very well satisfied if they could have the same experience over a period of fifty years like they have had in the last ten months.

Q. Let me ask you this; whether the price of One Dollar per barrel is more or less, or less than the average price of oil

in the past twenty years? A. It is less than the average for the past twenty years.

Q. What in your opinion is the reasonable expectancy of the price of oil during the course of the next ten years?

The Court: Now he has got a hard question there, but I will let him try it.

Q. (By Mr. Honigman) Assuming proration and assuming the elements that exist today? A. If no major war is thrown into the picture, and a lot of other things, it might range anywhere from a dollar to two dollars a barrel. If we have what threatens now in Europe, war, we might see three, three and a half, and five dollar crude, because we don't have the surplus supply now we can throw into the picture like we had in 1918.

Q. When you say that you may have an expectancy of anywhere from one to two dollars if there are no unusual circumstances, then do you mean if there are no unusual circumstances you are likely to get a price of less than a dollar? A. No, you said assuming that proration sticks, but if proration goes off you might get ten cent crude again.

Q. But assuming proration exists? A. Yes, sir, along specified basis the price of crude can be maintained. At present we are operating under a fictitious price of crude as a commodity, sustained price due to proration.

Q. The price of crude oil during the first ten months of this year has been what? A. About a dollar a barrel.

Q. Do you have any reason to believe that under proration that price will be less than a dollar a barrel? A. Not under proration I don't think so.

Q. So such chances there are for the future are chances prices will be more favorable than those that have existed during the year 1936? A. If proration sticks and nothing else unusual happens, that statement might be correct.

Mr. Honigman: That is all.

Redirect Examination by Mr. Oates.

Mr. Oates: I would like to ask the witness two or three questions, Your Honor.

The Court: All right.

Q. With reference to this rumored seventeen cent increase price in crude, that has not gone into effect, has it? A. No, sir, not until about the first of the year.

Q. It has been suggested by one company, but other major companies haven't fallen in with the idea? A. Haven't fallen in, but said it was premature.

Q. Now there are various factors in estimating anything?

The Court: Let's not go into that.

Q. (By Mr. Oates) I wanted to ask him, if in his consideration of this appraisal, you have given attention to these various uncertain factors which have been raised in this cross-examination? A. Yes, sir.

Mr. Honigman: I don't know what factors he is talking about.

The Court: Talking about speculation in the oil business. That is about what the range of this examination is.

Q. (By Mr. Oates) Did you consider the additional value of each of these classifications of properties being owned by an integrated unit of the oil industry in approving this appraisal. A. That is covered by the fact that it is referred to as a value to a going concern, each complementing the other.

Q. Now do you consider it vital or important to give consideration to the earning power of a property when you are appraising its value as a going concern? A. It is not customary, no. Only under conditions where it is appraised for sale value. It is very vital when you make an appraisal for the value as between buyers and sellers.

Q. Was a week long enough for you to do this job and satisfy yourself? A. It was, but it would have been nicer if I had had more time, but I got along all right, and I reached conclusions satisfactory to myself that I could testify with a clear conscience.

Mr. Oates: That is all.

(Witness excused.)

Mr. Oates: I have been directed by several individuals who have not deposited their securities with this Committee to state to the court that I have authority to speak for them, and I just wanted to make my record complete on that, Your Honor.

The Court: All right.

Mr. Oates: The said individuals' names are as follows:

Mr. Ramsey: Can't you give the Reporter that list and let him copy it.

Mr. Oates: The names on this list which the Reporter can copy.

The Court: Introduce it as an exhibit?

Mr. Oates: They own 3070 shares of preferred stock, of which all but 1278 have been deposited with the Committee, and I have been instructed by them to advise the court that as to the balance not deposited of 1278, I have authority to speak for them.

The Court: Now you file that as an exhibit and introduce it.

Mr. Oates: That is Committee's Exhibit No. 7. And the Reorganization Committee has been in writing advised by Homer E. Beckwith of Harrisburg, Pennsylvania, that he is the owner of 218 shares of preferred stock, which he wishes the Committee to represent at this hearing.

John J. Shinners was recalled by the Interveners for further examination, and on cross-examination by Mr. Honigman, testified:

I don't believe I ever saw Intervener's Exhibit No. 8. It purports to be a statement from Deep Rock to the security holders, dated January 25, 1931, and appears to have the facsimile signature of John L. Gray, Vice President and General Manager. It is on the stationery of Deep Rock and encloses dividend payable December 31, 1930. I don't recall ever seeing Intervener's Exhibit No. 10 before. It purports to be a letter dated March 31, 1931, on Deep Rock stationery, to the shareholders, signed by J. J. O'Brien, President, notifying them under date of March 31, 1931, that no further dividends will be paid at that time. Mr. Newlin is manager of the Philadelphia office of Byllesby & Company. That is his signature on Intervener's Exhibit No. 9.

Mr. Honigman: Intervener's Exhibit No. 9 is a letter dated April 23, 1931 on Byllesby & Company's stationery, Philadelphia address, to Mr. William H. Taylor, reading as follows: "Dear Bill: Unfortunately newspapers cannot be paid to buy or sell securities at the prices at which they quote them. In the instance which you sent me, the newspapers quote was in error. We can offer stock of the Deep Rock Oil

Company at $35 per share." That was in reply to this letter dated April 21, 1931 from Taylor to Newlin (Exhibit 9A) reading as follows:

"Dear Mort:—With further reference to our conversations and correspondence regarding the Deep Rock Oil Corporation preferred stock, please note, from attached clipping from Wall Street Journal that it is quoted 50 bid, 60 asked.

"Does this mean that we could get between 50 and 60 for our stock? If this is the case, will you review the situation and make suggestion for a switch."

I believe that is Mr. Newlin's signature on Intervener's Exhibit No. 13.

Mr. Honigman: The letter reads as follows:

"March 11, 1931.

"Mr. John M. Taylor, Provident Trust Bldg., Phila., Pa.

Dear John: I enclose herewith copy of wire which I sent to Mr. Cummins, and his answer to me.

I will try to get this information, but I think this wire will show you that we simply do not have it at the present time.

Yours very truly,

E. M. NEWLIN, Manager."

This is Intervener's Exhibit No. 13-A:

"Mr. A. S. Cummins, Chicago office. 3/11/31 12.10 P. M.

"We have a close customer who holds 650 shares Shaffer preferred. He has just requested information showing the present condition of the Company. Can you send me gross earnings for January and February of this year as compared with last year, and also at least an estimate of net earnings for January and February? Also can you send me balance sheet as of December 31, 1930, and an explanation of the uses made of the money which Shaffer has apparently borrowed, as represented by the general interest charges of $417,000?

E. M. NEWLIN."

This is Intervener's Exhibit No. 13-B:

"Mr. Newlin: 3/11/31, 1:45 P. M.

"Shaffer annual figures for 1930 are not yet available, al-

though it is expected that they will be ready within the next week or ten days. As far as earnings for this year are concerned, Chambers tells me preliminary figures for January are not yet in.

"I will keep your wire in front of me and just as soon as additional information is available will pass it on.

A. S. CUMMINS."

And this is Intervener's Exhibit No. 13-C:

"March 14, 1931.

"Mr. E. M. Newlin, Messrs. H. M. Byllesby & Company, Stock Exchange Building, Philadelphia, Pa.

"Dear Mort:— I have your letter of March 11th, and as yet you have given me nothing by which I can even approximate what the Company is doing under today's conditions. Can you not, for example, tell me what their sales and approximate profits were for, say, the last quarter of last year? This would be a good indication. Can you not get me the approximate sales for, say, the month of January, if not February?

"This information is, of course, available somewhere, and I think that, as large Preferred Stockholders, we are entitled to same without further delay. Some one in the organization must have an approximate idea as to how the profit and sales are now running. If they do not want to pass along this information to us, they should at least let us know some of the pertinent figures as above indicated, so that we may form some judgment of our own.

"Also, how much money did they borrow last year? They certainly have this information, and should we not get this?

"We bought this security entirely upon the recommendation of Byllesby & Company, and we should look to you to secure this information for us.

"Regardless of the above, what is your recommendation, as to whether or not we should hold this security or sell it, under today's conditions? We are not adverse to selling the security, due to the fact that we will take a substantial loss on same, but we want to sell it if we can put the money into something else which will stand a better chance of appreciation, and we feel sure that we are at least entitled to receive infor-

mation which certainly is available, and for which we are asking as above indicated."

Yours very truly,

JOHN M. TAYLOR."

Mr. Oates: Your Honor please, there seems to me there ought to be some limitation on which counsel is permitted to read correspondence supposed to have been addressed by his client to Byllesby & Company, and in no way identified or authenticated.

The Court: I am assuming it is authenticated.

Q. (By Mr. Honigman) Now I want to ask you, Mr. Shinners, during the period of the early part of 1931, was Byllesby & Company at that time trading in preferred stock of Deep Rock, and notes? A. I wouldn't know whether they did actually at that time, or not. I would assume that they did have market transactions in notes and the preferred.

Q. And usually were marketing transactions during that time, as the rest of the time, both as principal and as agents? A. Probably.

Intervener's Exhibit No. 11 is a copy of the letter I wrote to Mr. Taylor.

Mr. Honigman: Your Honor, please, this is the letter:

"December 19, 1934.

"Mr. John Taylor, Provident Trust Building, Philadelphia, Pennsylvania.

"Dear Mr. Taylor:— I recall with pleasure having met you a few years ago through Mr. Newlin, when we discussed the possibility of our underwriting certain securities of your Company, the Continental Diamond Fibre Company.

"Mr. Newlin has just informed me that you had stated to him, as a holder of 400 shares of Deep Rock Oil Corporation preferred stock, your objections to the plan of re-organization composed by this Committee. The Committee worked diligently for many months in an endeavor to devise a sound plan of re-organization that would be just and fair to all parties, and as of this date there have been deposited under the plan in excess of 25,000 shares of preferred stock.

"As stated in the plan, at the time Receivers were appointed

for the Corporation, it had outstanding $10,000,000 principal amount convertible gold notes. Also, as of that date, its books reflected an indebtedness to Standard Gas and Electric Company of $9,342,642.37. Allowance of that amount as an indebtedness to Standard Gas and Electric Company has been attacked by the Receivers, who were succeeded by Mr. H. N. Greis, as Trustee, and he is presently contesting the amount of the Standard claim. Taking of evidence with respect to the Standard claim has been concluded, and this Committee has been informed that the Master in Chancery appointed by the Court to hear the evidence will shortly present his conclusions in the form of a brief to the court, and that the court will probably render its opinion about the 15th of January, 1935.

"Based upon an independent investigation by this Committee, it concluded that the Standard Gas and Electric Company could sustain its claim as a creditor for approximately $7,300,000 a substantial portion of which would undoubtedly be held to rank on a parity with the convertible gold notes and all of which would rank ahead of the preferred stock of the corporation. Accordingly, in the opinion of this Committee, the sound claims of the creditors of Deep Rock Oil Corporation (with miscellaneous indebtedness) could be sustained for approximately $17,500,000.

"As of August 1, 1933, the Receivers appraised the physical assets of the corporation (including the assets of Deep Rock Oil and Refining Corporation, which, under the plan, will become the property of the new corporation), at $13,416,070.20, on the basis of replacement value at then current prices, less depreciation. Adding to that physical value approximately $3,500,000 of net quick assets as of that date, there would be a total property value of slightly less than $17,000,000, or a deficiency in property value, as compared to the above stated amount, of $17,500,000, which in the opinion of the Committee, can be established by creditors.

"In an attempt to devise a sound plan of reorganization that would be just and fair to creditors and preferred stockholders, and with due consideration for the property value as determined by the Receivers and the amount of creditors' claims as stated above, this Committee concluded that the plan of reorganization, by which the preferred stockholders are

to be accorded as a class 10% of the common stock of the new company, is eminently fair to the preferred stockholders.

"Mr. Newlin has informed me that in your opinion the properties of the corporation might be appraised at as much as $20,000,000. In this connection we should like to point out that Messrs. H. N. Greis and E. H. Moore, the Receivers who made the above stated appraisal are men of long and successful experience in the oil industry.

"I hope, that with the information contained herein before you, you will conclude to deposit your stock under the plan of reorganization.

Yours very truly,

JOHN J. SHINNERS, Chairman."

(The Witness): I probably received that information from the Receivers, or the Trustee, that the value of the physical assets of this company, Deep Rock, were according to my letter Thirteen Million Four Hundred and Sixteen Thousand. It is correct that, based upon the appraisal as of today of Nine and a Half Million Dollars for the physical assets, the assets today then presumably are worth approximately Four Million Dollars less than they were worth in August of 1933. I do not know how much money has been spent by the Receivers and Trustee for improvements to the physical assets. I have been reading these reports the Trustee puts out every month. I did notice that the Trustee carries the total figure along. I don't recall what that total figure is. Intervener's Exhibit No. 14 is a report that is put out by the Trustee from month to month. The report is entitled, "H. N. Greis, as Trustee for the Deep Rock Oil Corporation, operating report March 1, 1933, to October 31, 1936." On page 5, appears "Additions to the property account for the forty-four months period from the inception of the receivership to October 31, 1936." And according to that figure, there is a total of $2,543,770.37 spent in added property value in the form of additions to the physical assets by the Trustee and Receivers. So that, according to your computations, the discrepancy between the values as given to me as of August 1, 1933, and the values as appears today, is not merely Four, but is Six and a Half Million. I told you on the hearing on Saturday that I was acquainted with the fact that the oil industry was in better condition today than it was in 1933. I don't know whether it is true or

not that the general belief would be that the value of Deep Rock was greater in the year 1936 than it was in the year 1933. I can see where there might have been greater assets in 1934 at a value that they learned in 1936 didn't actually exist.

I didn't try to find out why that discrepancy took place. I was given this information by the court's appointee. I think that is of the utmost importance in the determination of the fairness of the plan. I didn't feel that was my duty to discover the nature of a discrepancy of Six and a Half Million Dollars between August, 1933, and August, 1936.

Henry N. Greis was called as a witness on behalf of the Interveners and on direct examination by Mr. Honigman, testified:

I am the Trustee, under appointment by the court, of Deep Rock. I was appointed on March 1, 1933, I think it was, as Receiver, and August, 1934, as Trustee, when 77-B went into effect. Prior to that time, I had nothing to do with Deep Rock, nor with any of the corporations affiliated with Deep Rock. I didn't even know who the people connected with them were. I have had experience in the oil industry. I came to Oklahoma the 5th day of October, 1907. Previous to that I was connected with a bank. My health was somewhat questioned and I went to West Virginia for a concern called the West Virginia and Maryland Gas Company, which was constructing a big pipe line from Westland, West Virginia, to Cumberland, Maryland. These people owned oil and gas properties. I went down there in the capacity of a time keeper, to be frank about it. Before I left there, which was something less than a year, I was engaged in the construction of a pipe line; but I came, however, to Buffalo, worked in a bank a short time, and came to Oklahoma, and from that time I was active in the gas business, and also the oil business. From that time, since 1907, I have been in Oklahoma active in the oil business. Since I came to Tulsa I have owned several companies, been spending my own money; been employed only once in the capacity of an officer of a company, otherwise I have been in business for myself, with a partner, spending my own money. The nature of the business I was in was largely in the producing end. In the course of that I bought and developed very many millions of dollars worth of oil lands. Prior to my association with Deep Rock, I had nothing directly to do with the refining of oil. Being a

director of Mid-Continent Petroleum Company for many years I was familiar with the refining end of the business, but not for myself.

In the course of my dealings in the oil industry I have watched the trend of the industry.

Q. And what would you say has been the history of the oil business since you have been in Oklahoma? A. Very *phesominal;* a lot of luck connected with it, and a lot of waste, and hard work. The oil business by its nature is a rather speculative business. By that I mean you might buy a lease today that cost Ten Dollars an acre, and find out later on it is worth Five Thousand Dollars an acre. By that I mean the values change from time to time. It is not a promotion business; I mean it is a legitimate business, but a certain amount of speculation. When you buy you don't know whether you are getting a good lease. At certain times you buy an expensive lease and it turns out to be a very poor lease. And then you buy a lease that costs you a small amount of money and that happens to be one of your best leases. The reason those kind of variations happen is because of the fact people are unable to tell in advance that drilling a particular well, what the result will be. From field to field, and even from well to well, it isn't known what a particular well will do until after it is drilled and produced. In turn after a well becomes a producer, as to how much and how long it is going to continue to produce, that varies according to the sand the well is producing from, and the area in which this certain well is located. Sands that are soft sands, and sands that are hard sands, and sands that will perhaps give up its production in a very short time, we call them soft sands. We have a sand that is a hard sand. We have a sand here known as the Wilcox sand, and the Bartlesville sand, which produces, has a longer life than some of the other sands. To a certain extent, those are the elements that are taken into account in evaluating the probable future reserves of a particular oil well. Other elements to be taken into account are proration, weather conditions, lot of things may enter into it. You may be on the edge of a pool, or you may be in the heart of a pool. If it is a virgin field, a new field, nothing is known about it, but if it is in a certain trend, in a locality where we can determine from the past performance of these wells, in the way of curves, it gives us some sort of an idea of what we might expect in the future.

After getting that idea, in actual operation you have to adjust your estimate as to what the well will bring in the future, in view of circumstances that you later find out as you go along. So that various things can happen to a well after it is in production, what looks like settled production, to change the entire estimate of the future reserves of that well. In attempting to determine the probable future recovery from a well, the opinions of even experts vary on the subject. There is a chance for a change in estimate; you might have a producing well that has produced oil for ten years on a certain curve, and the next week water may come in and your oil is gone; so naturally you change curves on that one; that well is through. On the other hand favorable surprises may occur in the oil industry too; such as digging to a new sand level and finding a new source of oil there right next to the other oil well; such changes as are produced by acidization, but that is more or less flashy because acidization is only used in lime wells, acid is put in there to eat its way back. When acid is applied to a well, the eating of the lime makes a quicker or more larger flow; that acid helps for perhaps two weeks or thirty days; sometimes several months, and then the well goes back. Does it ever go more than several months? Oh, yes, it has, where the well is prorated and shut in. Repressuring will renew the life of an oil well at times; that is a very expensive method. It has been used in the east, and was used up at Bartlesville, I think, at a cost of about Two Hundred and Fifty Thousand Dollars; and we repressure at times with gas, using gas that we have in the field which we will turn back into a certain well in trying to bring about a little greater flow. I don't mean that Two Hundred and Fifty Thousand Dollars is what is spent for a single well to repressure, but rather for a field, a big lease.

The price that the oil brings in turn is a very important consideration in determining its value. In the past year we have had oil selling for about a dollar a barrel. When I stepped into Deep Rock, some of the properties were depleted; certain repairs had to be made on the refinery; some of the tank cars had to be painted; some wells had to be cleaned out; new tubing and equipment had to be put onto some of the wells in order to keep them going and the property in operation. I would not describe the condition of Deep Rock properties at the time I took hold as being in a run-down condition. Certain properties needed attention, but I imagine the bank ac-

count didn't justify or warrant it. It costs a lot of money to operate oil properties. I wouldn't say that the properties were neglected. There was a fair use of judgment in the handling of these properties at the time I saw them first. The expenditures I put in since I came in were the type of expenditures that should have been made in the ordinary course of the operation of this business as a going concern. They were no more, or no less, just what was necessary. We didn't go out and try to spend a lot of money flashily. We used our best judgment as to what we should do and spend for the properties. At the time we took hold on March, 1933, the average daily production in the producing department was four or five thousand barrels. I don't remember the figures; that is nearly four years ago. I think we have held our production very well. Of course that meant additional drilling of wells and equipment put on leases, pumping outfits. Our production for six months has varied very little; tried to keep it as close as we can, at about the same producing rate. Our production has maintained a pretty steady level throughout the practically four years period that I have been connected with it. We have increased it from time to time, due to proration, and it has been cut back. I think that our net interest in production, at the present time, would be forty-two to forty-three to forty-four hundred barrels. Our production now is averaging about the same average it had in September of 1936. I notice on page 17 of the amended plan of reorganization, which is the Committee's Exhibit No. 1, that it is stated that the average daily production during the month of September, 1936, under proration, was given in excess of five thousand barrels, that is gross; before the one-eighth interest is taken off. The average gross production has continued at an average steady line from the time that I have taken it over. In order to maintain that production at that average level, I have had to spend money for drilling of wells, acquiring new leases, and we have brought in perhaps seventy-five or a hundred new wells since the time that I have been connected with these properties. These were largely offset wells that we were required to drill, about sixty per cent perhaps; more maybe; I can't tell you. An offset well is required by law according to the terms of your lease, and in accordance with agrements with other companies. If a well is from 100 feet to 335 feet, or 600 feet from your line, and a well is brought in as a producing paying well, you are required, according to the terms

of your lease, to offset that well or forfeit your lease. At the time I took hold of this situation, Deep Rock had about between four and six hundred producing wells. As a matter of sound business judgment we determined to close down those wells that couldn't profitably be operated and abandon them, pulling out the pipe, and using the pipe in other places. We have had difficulty in maintaining our average daily production. Production depletes and declines. A well may be making 100 barrels today, and a month from now making 50 barrels. That is the reason we have had to spend conservatively for new leases and drilling of new wells. The money we expended has enabled us to keep up the average daily production that we have. Our oil properties are under proration in two fields and possibly several properties in a third field in East Texas. We are allowed certain amount of oil per well. East Texas is about twenty barrels to the well; in the Fitts pool, I think we are allowed six per cent, six to six and a half. The potential production per day of each well in East Texas is very hard to determine. I have made no attempt to estimate those wells. We have curves on the potential yield of the property. As to what percentage of our potential yield those wells are producing, that is an engineer's problem. Would be hard to know whether it is correct or not. Nobody knows; it is everybody's guess. When we drill a well, we drill a well in. We know the wells come in about the same, but we never make a test of them, just drill them in, shut them in and produce a certain amount of oil. From the history of the field, however, we know that the potentials of those wells are greatly in excess of their actual proration production. That applies to the East Texas fields and the prorated leases in the Seminole field. That is all I recall right now. The percentage of our producing wells under proration are about twenty per cent, I suppose; perhaps less; about 80 or 90 wells. Most of the wells under settled production are running wide open. At the time I came in, I found the refinery in reasonably fair shape. That includes the cracking plant. And from time to time as I have gone along I spent whatever money was required to keep it up in that shape. Where replacements have been indicated, I have spent the money for replacements. So that I would describe the present condition of the refinery as in fairly good condition. That is true of our pipe line department and tank cars as well. Some of those items in my reports I have charged to maintenance, as an operating ex-

pense, and others I have charged as additions to plant, or capital.

At the time I came in the Deep Rock picture, the chief executive officers were Mr. Francisco, Secretary and Treasurer; Mr. Moody in charge of refinery; Mr. Dade in charge of the pipe line; Mr. Huey in charge of production; Mr. Majewski in charge of sales; and of course the heads of other departments, purchasing, insurance, and so on. Each of these men that I found in the picture at the time I came in are still in my employ, and competent. At the time that I came into this situation I didn't scrutinize the book values maintained by the corporation, its assets; just took our own figures and tried to make an estimate of what was there, but so far as scrutinizing the books in trying to find values, I didn't feel that was my duty. I didn't at any time notice the book values at which the fixed assets of Deep Rock were carried. We saw statements that were there previous to our being receivers, but we paid very little attention to them. I didn't come to any conclusions as to what the value of those assets were at the time I came in.

Q. To what extent have the values of the corporation, of the fixed assets of the corporation changed since you have been in there? A. Well, I think your statement fixes that. It has enhanced in value quite materially.

Q. Why do you say they have enhanced in value quite materially, Mr. Greis? A. One item shown your cash balance, earnings.

Q. I was merely referring to fixed assets, not current assets, and from current the way you set it up? A. You mean the value of the company.

Q. No, I am just talking about the value of the fixed assets? A. They have increased. Of course they have.

Q. They have been increased? A. Yes, sir.

Q. To what extent do you believe they have been increased? A. Three or Four Million Dollars.

Q. And from what has that increase occurred? From what source? A. Production; through the drilling of new wells; maintaining production; refinery earnings; other earnings along the line that belong to the company.

Q. Well, the production was the same, was it not, approximately at the time you took hold as it is now? A. I think so.

There should not be much difference; perhaps it has increased a little bit.

Q. So that there should not have been any increase in value from that source, should there? A. Yes sir. The old production we had at the time of the receivership dwindled down to practically nothing; a lot of wells have been abandoned; but in order to keep this production up, buying new properties that had more life to them, and you kept your production up, and naturally increased the value of your company, the assets.

Q. So that that increase in production has primarily come about from that item carried on your statement as additions to plant and equipment? A. Yes sir.

Q. And do you recall that as of October 31st it approximates Two and a Half Million Dollars since the date of receivership? A. Of which Eight Hundred Thousand Dollars was the payment of rentals to keep in force the leases we have, so in reality we have spent possibly a million and three quarters in development and new leases, and other things.

Q. You stated a moment ago that you believed the fixed assets were worth approximately Three Million Dollars more now than at the time it went into receivership, and you spent only a million and three quarters. How do you account for the Three Million Dollars in value? A. We bought leases that cost very little money and drilled wells on them. That might increase your property a million dollars. Before we have production we have nothing but an undeveloped lease, and when you have production on that lease the value of that lease is enhanced perhaps a hundred times.

I have not made any attempt at figuring what the proper figure of depletion and depreciation should be since I have been in as Receiver and Trustee. My opinion as to what sort of depreciation and depletion should be figured in the proper operation of a company is that that is a tax problem. If, of course, you actually expend whatever money you need to keep your plant a going plant in good condition, with new improvements as they go along, and if you accumulate as many new producing wells as you need in order to keep your production at a fairly even keel, whatever you have been spending, that amount of money and those expenses are considered to be depreciation and depletion. That would be a fair way of looking at what your requirements of depreciation and depletion are.

The Standard claim was so complicated, I asked our attorneys to make a thorough investigation and use their judgment as to suits and other things that were necessary in connection not only with the Standard claim, but any other claim. It was based on their advice that I signed the pleadings in this case attacking the Standard claim in its entirety.

Q. You charge in the pleadings which you have filed that the method of operation of the Deep Rock by Standard subjected the Standard claim to the operation of the instrumentality rule, is that right?

Mr. Ramsey: I object to that line of questioning. The record shows for itself.

The Court: He has already answered that he signed the contested claim on the advice of his counsel. Now he is not a lawyer, and if you get to asking him about this instrumentality rule he is going to get confused.

Mr. Honigman: I want to know what he thought about the claim, if he thought anything about it.

Mr. Ramsey: What difference does that make. The court has to pass on that claim. He has contested it, and his pleadings are on record here.

The Court: Yes, I think that is enough. His position is reflected in his pleadings filed, and the position of his attorneys in reference to that claim. Now what his conclusion would be, whether he thought it was subject to the instrumentality rule would be of no importance. In other words, I don't know of any rule that will permit you to ask a layman whether or not the court ought to apply a certain rule of law to a claim.

Mr. Honigman: But I think perhaps the witness can tell us whether the instrumentality rule was explained to him.

The Court: It doesn't make any difference whether he had it explained to him. I expect he heard lots about it, but that is immaterial.

Mr. Honigman: Well, we will take the individual items of the Standard claim and forget the instrumentality rule for the moment.

Q. (By Mr. Honigman) Did you go into the question of the validity of the lease between the Deep Rock and the Refining Company? A. From time to time we discussed dif-

ferent items in the claim, and I did with my attorneys, and I placed it in their hands with full authority to act, and to keep me advised as to the best of their judgment. I am not a lawyer; I am not familiar with those things.

Q. Have you made any attempt to study the record of the proceedings on the hearing of the Standard claim?

Mr. Ramsey: We object to that.

The Court: It is immaterial whether he read the record or not. I sustain the objection.

A. I glanced at it. I didn't read it.

Q. (By Mr. Honigman) Do you know anything about the specific charges made against Standard in connection with its operation of Deep Rock? A. Yes, sir, generally.

Q. Can you tell us generally what your understanding of those charges is? A. No.

Mr. Ramsey: We object to that.

The Court: Yes, it is immaterial.

Mr. Honigman: I want to show what it is this witness understands about the nature of a controversy between himself as Trustee and Standard.

The Court: That is reflected in his pleadings filed under advice of his counsel, and what his private opinion is, is immaterial.

Q. (By Mr. Honigman) Have you made any independent judgment of your own on the propriety of the charges made by Standard to Deep Rock?

Mr. Ramsey: We object to that. That is a question for the court.

The Court: It is immaterial what he thought; whether he thought it was fraudulent and dishonest, or whether he didn't. His private opinion will not be considered by the court.

Mr. Honigman: Your Honor please, - - -

The Court: He might have the same opinion you have about it, but it would be immaterial.

Mr. Honigman: If he has it, I would like for him to say it, Your Honor.

The Court: Well, let's not pursue the matter.

Mr. Honigman: I wish to make this statement in regard to that, Your Honor.

The Court: All right.

Mr. Honigman: That inasmuch as the Trustee is coming in here to recommend the compromise, I want to know what elements he has considered in recommending the compromise?

Mr. Ramsey: He has not recommended the compromise, and the only thing before the court is the Standard offer to accept it. He has not accepted it, or rejected it.

The Court: I don't understand he is making any recommendation either way. He is simply presenting what they have offered.

Q. (By Mr. Honigman) Are you, Mr. Greis, taking the position you have no recommendation to make on the Standard claim? A. I am leaving that to my counsel.

Q. Are you as Trustee, either on advice of counsel or without it, taking any position on the question of approval of the Standard compromise claim? A. I am interested in it naturally, of course I am. I think if Standard paid out money to the other party, they are entitled to it. I mean money they are entitled to establish a claim for, certain portion of it. If it is just, and so considered, I see no reason why it should not be compromised.

Q. Did you give any account to the consideration and to the items wherein Standard diverted or wrongfully took some money from Deep Rock?

Mr. Ramsey: I object to that. That is just getting into the question that proves nothing on earth.

Mr. Honigman: He just made an answer, and I want to know what he considered.

The Court: The objection will be sustained. I don't care anything about whether he thinks the Deep Rock owes the Standard anything, or the Standard owes the Deep Rock. The record of the evidence on which the items are based is a voluminous record, and the testimony taken. He didn't furnish the testimony, and that is entirely a matter for the court to determine. What his private opinion is, whether he thinks it ought to be accepted or not accepted, would be immaterial.

Mr. Honigman: Well, I want to know now, either through

the Trustee or his counsel, whether officially the Trustee is recommending this compromise proposal, or not?

The Court: I assume his pleadings show what he presented.

Mr. Ramsey: The case here before the court on that Standard claim is an offer by the Standard to settle on a certain basis. The Trustee has never accepted it, and so far as I know has never seen it.

The Court: As I understand the position of counsel for the Trustee, he merely brings their offer here and tells the court they offer this kind of a compromise.

Mr. Ramsey: No, they bring it here themselves. The first one, they submitted it to the court and the court rejected it. This comes in here now after the result of a conference. The Standard asked time to submit a proposition of compromise, a new one, and that has been authorized by the Delaware court, and is now before this court.

The Court: As I understand you, as counsel for the Trustee, have filed no recommendations either way?

Mr. Ramsey: No, except Mr. Gibson and I recommend it be submitted to the court.

The Court: You as counsel for the Trustee, have filed no recommendations here on behalf of the Trustee to either accept or reject the compromise?

Mr. Ramsey: That is right.

Mr. Honigman: That is definite, is it?

The Court: Yes.

Q. (By Mr. Honigman) You agree with that, Mr. Greis? A. Yes, sir.

Mr. Ramsey: Mr. Gibson and I recommended that the Standard be authorized to submit this proposition to the court.

The Court: I understand that thoroughly.

Mr. Honigman: But you didn't recommend that it be accepted on its merits?

Mr. Ramsey: Do you want me to recommend it?

Mr. Honigman: I don't want you to do anything.

Mr. Ramsey: Well then, don't ask me any questions.

Mr. Honigman: All right, sir. I wish to call to the attention of the court and the witness at this time a statement in Intervener's Exhibit No. 5, which is the letter from the present Reorganization Committee, of which Mr. Shinners is Chairman, addressed to the security holders, printed letter, paragraph No. 5: "The Trustee of Deep Rock and his counsel have approved the new compromise. The Trustee of Deep Rock and his counsel, both appointees of the court and entirely independent of any connection with Standard, thoroughly investigated all matters relating to the Standard claim and have approved the new compromise thereof after fully considering all contentions asserted by the Taylor Committee."

The Court: All right.

Mr. Gibson: What is the date of that?

Mr. Honigman: November 20, 1936.

Q. (By Mr. Honigman) Mr. Greis, have you ever caused any independent audit to be made of the Standard claim? A. I think our attorneys have, yes sir.

Q. Well, do you know whether there was such an audit made? A. I think there was. They had authority to have one made and saw fit to do so.

Q. Have you any report from an audit firm on that claim on the account between Standard and Deep Rock? A. I don't know whether we have or not. It might be in counsel's hands. It might be in our Master's files; we have filed many documents.

Q. Will you ask your counsel at the moment whether he has any audit report?

Mr. Ramsey: There has never been any independent audit made of the Standard claim. If there had been we would not have known what to do with it. The Deep Rock auditor examined the Deep Rock books and apparently the entries on the books of the Standard, and we found they tallied exactly.

Q. (By Mr. Honigman) Was there ever any report prepared on that? A. Not that I know of.

Mr. Martin: However, that was furnished by Mr. McCune to counsel.

Mr. Ramsey: Wasn't any independent audit made of four of five thousand figures, and all that sort of stuff. No break down.

Q. (By Mr. Honigman) In the preparation of the final appraisal that appears in court, Mr. Greis, who did the work of preparing that report? It is filed, as returned and certified by the Trustee under date of December 12, 1936. A. You mean who made the appraisal?

Q. Yes. A. I asked Mr. Francisco to get in touch with the heads of all our departments and their engineers and to furnish us what I considered a fair and honest appraisal.

Q. Did you make any independent investigation of your own, Mr. Greis, as to the propriety of the figures arrived at? A. I discussed them with Mr. Francisco and some of the other heads, engineers and geologists.

Q. Who arrived at the conclusions as to the values to be placed on the different items, you or they, Mr. Greis? A. They, and checked by me.

Q. Did you make a detailed check of the various items? A. What do you mean, detailed? You mean a break down?

Q. Did you for instance figure on the value of each specific producing well? A. I went over it and checked the report, and the engineer's report.

Q. Did you figure the value of each undeveloped lease? A. No, but I had a very competent man doing that. My geologist has been with me for twelve years, along with our geological department of the Deep Rock. In arriving at the figures on the undeveloped leases, I did so as if I was spending my own money, and we were buying the leases today at the present time. A very small percentage of those undeveloped leases have been acquired since I have been Receiver or Trustee. Most of the 109,000 acres of undeveloped lands were in there before I came in. Not all of the producing oil wells that I have gotten since that time have been from those undeveloped lands. We bought some properties and developed them, and got some very nice production. Some of these properties have been turned from non-producing properties to producing properties. There was nothing to indicate that there was poor judgment used in the acquisition of those undeveloped leases.

Q. What percentage of the undeveloped leasehold did you figure at cost? A. Well, I don't think we even considered

the cost. We figured at the present day value. The lease might have cost Ten Dollars an acre.

Q. For one hundred and nine thousand acres you figured here a value of Four Hundred and Twelve Thousand Dollars; that is roughly about three-fifty an acre on the average. Now is that all that these properties are worth today? A. In my judgment, yes, sir.

The receivership has paid for rentals Eight Hundred Thousand Dollars for undeveloped leases. We have paid out Eight Hundred Thousand Dollars since receivership only, yet their value today is only Four Hundred and Twelve Thousand Dollars. Of course if we pay out for four years rental Eight Hundred Thousand Dollars for property that only has a value of Four Hundred Thousand Dollars, we are already out Four Hundred Thousand. The reason or continuing to make rental payments instead of throwing up the property is that it has a chance of becoming producing some day, otherwise we would not pay it; keep the leases alive. So this non-producing acreage has a potential value that is not reflected in its present value. In the preparation of this appraisal I took department by department and I subdivided those departments, putting a valuation on each subdivision, and the way I arrived at my total value was by adding up those figures. This appraisal was made on a going concern, assuming that Deep Rock might reorganize, and these values were put on for the future performance of the company. It had nothing to do with a sale.

Q. Then if it has nothing to do with sale, it has nothing to do with market value, is that it? A. I will illustrate that.

Q. You can answer that question first. It has nothing to do with the sale price of it? A. No.

Q. Has it anything to do with the market value of it? A. The market value and sale price would be far less than what the appraisal shows.

Q. What elements, Mr. Greis, if you know, are taken into account in determining the market or sale value of an oil corporation? A. Well, that is more or less of an engineer's problem again, but I can answer it. If you have a refinery at Cushing, a pipe line sixty miles from Cushing to the nearest field, outside of the Cushing field, your plant has been more or less obsolete, and if we had money to build a plant again we would not build it in Cushing. Take your production away

from the plant at Cushing you would have a junk heap. You really have to tie-up the production with the refinery and with the tank cars and the pipe line, and the distribution, in order to arrive at a value. No particular department of this has any fair justification for a value placed on it as apart from the system as a whole, except production. You could always sell your oil to some other pipe line concern. But so far as the other departments are concerned they have got to be considered as a unit. And from the standpoint of a refinery, the value of that refinery as a going business is materially enhanced by the source of supply from the production department, and by the ownership of the pipe lines, and by the ownership of the distributing stations.

Q. Now as a matter of common business judgment, isn't the earning value of a corporation one of the chief elements taken into account in determining its market value, or sale price? A. Not in this case.

Q. You say then that earning capacity has nothing to do with the value of a corporation as a going concern? A. Yes, sir, but not with the Deep Rock refinery, and that is what you are talking about. You mean one division, or as a whole?

Q. As a whole? A. Oh, yes, certainly your earning power has something to do with it.

Q. That is a very important element, is it not Mr. Greis? A. Certainly.

The Court: You don't need to waste any more time trying to prove to me that a corporation that has a good earning capacity will sell better than one that is in the red. You are just wasting time with that kind of testimony. Anybody that has any judgment about values of any concern, whether a corporation or individual business, if the business is a going concern and making money, it has more value than one that is not going and not making any money.

Mr. Honigman: I think we will all agree on that.

The Court: I don't understand the necessity of that kind of proof.

Q. (By Mr. Honigman) I will ask Mr. Greis this question. Were the net earnings of Deep Rock taken into account in the preparation of this appraisal? A. Yes, sir, to a certain extent it was.

Q. In what way was it taken into account? A. That we were making money as a going concern.

Q. Were the actual figures, the amount of money you were making, taken into account? A. The actual amount of money?

Q. Yes. A. We didn't stress that so much, but all the units were operating and as a whole the company was making money, and if continued on a present basis the value as determined for the future as a going concern, based on the earnings that we had made in the past.

Q. Did you take into account the actual net earnings in arriving at these figures, Mr. Greis? A. No. I mean - - -

Q. That is all, Mr. Greis. A. Wait a minute now.

Q. What do you want to do? A. It is hard to determine what your future earnings are going to be, but we base them on the earnings of the past as a going concern value, not as selling it.

Q. I thought I made myself clear, but I will repeat it again. Did you take the actual figures of net earnings that Deep Rock under your trusteeship has had in determining its valuation? A. That had a lot to do with it. We based it on a company making money instead of one that was losing.

Q. But it makes a big difference as to how much money was being made? A. Yes, sir.

Q. And did you use any particular figures on how much money Deep Rock was making in arriving at this valuation? A. No.

Q. As far as the earnings for 1936 are concerned, you have already only got a half month left, so you know what you have done practically during the year? A. We don't know what we did in November yet.

Q. You know what price you were getting? A. The earning figures may fluctuate Twenty or Thirty Thousand Dollars.

Q. But approximately it will average the same for the month as it did for the first ten months? A. We anticipate that.

Q. Have you paid any rentals to the Refining Company? A. No, sir.

Q. Has any one demanded that you pay any rentals to them? A. Not to my knowledge.

Q. Have you taken any attitude as to the fairness of the plan of reorganization that is now being presented? A. I am

interested in a plan that I think is fair to all concerned, as far as I can interpret it myself.

Q. Have you taken an actual position then as to the fairness of this plan, and recommendation to security holders who have inquired of you? A. No, sir.

Q. And do you now want to take any position with reference to the fairness of the amended plan? A. I think it is a fair plan in my estimation. It sounds like a fair plan, but I am not recommending it.

Q. You know, Mr. Greis, do you not, that the fairness of this plan to a very large degree depends upon the extent of the claim that Standard is allowed? A. Yes, sir.

Q. So that as far as you are concerned are you willing to say or recommend that a plan is fair that is not fair? A. No, sir.

Q. From what you know of the Deep Rock properties would you say there was any justification for a book value of approximately Thirty Million Dollars for the fixed assets at the time you took hold of it? A. At the time we took it over?

Q. Yes. A. Fixed assets?

Q. What value on the fixed assets? A. Thirty Million Dollars, no, sir.

Q. How far off would you say that was from its actual value? A. I think we tried to make an estimate at the time. At that time production was figured at a certain price per barrel, settled and flush, for our own information, about that time, an estimate, and I think it was around Thirteen or Fourteen Million Dollars, that is the assets of the company. That was depreciated now. That was the value we took at that time.

Q. And that was Thirteen to Fourteen Million Dollars, was your estimate as to the value of the assets of the corporation, including current assets, is that it? A. Yes, sir. Now that was for our own benefit, that estimate and appraisal.

Q. But you were using your best judgment at that time? A. That is what we were at that time.

Q. And would you say then there was any justification for a valuation of the total assets of Fifty Million Dollars at the time you stepped in?

Mr. Ramsey: We object to that. He said he didn't think Thirty Million would be fair. Of course he wouldn't think Fifty Million would.

The Court: No, he wouldn't think that. And he is not responsible for any values that were put on it.

Mr. Honigman: I am very well aware of it.

The Court: On the books or off the books.

Mr. Honigman: That is all.

Mr. Oates: Just one or two questions, please.

The Court: All right.

Henry N. Greis, on cross-examination by Mr. Oates, testified:

If we had to reproduce a refinery for this property, we would not build the type of property we have at Cushing now, and the character of cracking plant and refinery. Refineries are very much more improved than ours. We keep adding to it and adding to it in order to keep up with the present day method of refining. New processes are coming in, such as refining of lubricants, what they call a solvent process. These casing-head plants we have abandoned because of lack of gas. I think we started shutting down some of the plants shortly after receivership. They were losing money, and so I think we have only three plants still running, and they are not making any money. The fact of the matter is they are hardly breaking even, or perhaps in the red a little bit. It is a fact that the transportation of oil has recently been more and more by pipe line and less and less by tank cars. We are very much at a disadvantage as compared to companies that have pipe line connections. We have to transport all gasoline and refined products by tank cars, while the other major companies and larger companies transport their gasoline by pipe line to Chicago and various points.

W. R. Francisco was called as a witness on behalf of the Interveners, and on direct examination by Mr. Honigman, testified:

I have been with Deep Rock since 1919, as auditor, treasurer and then secretary and treasurer and director. At the time of receivership I was secretary and treasurer of Deep Rock. I had charge of all the accounting and auditing, the handling of cash, cash receipts, and disbursements. My superior officers in the last few years before receivership were Mr.

O'Brien who was President of the Company; Mr. John L. Moore, who was Vice-President and General Manager; Mr. Riddle who was a Vice-President and Assistant General Manager; Mr. Majewski who was a Vice-President; Mr. Moody who was a Vice-President; Mr. Lynch and Mr. Graff who were Vice-Presidents. If Mr. Morrison was a Vice-President, he would be my superior. But I think he was an assistant secretary and treasurer. I know about the dealings between Deep Rock and Standard. And I know the nature of the relationship between the Deep Rock and Standard. I have been a director of the Deep Rock since 1922. During that time I didn't attend all the director's meetings. I attended some, of course. Most of the meetings were held in Chicago at the office of Standard. I did attend some of those meetings, and some I didn't. I was located in Tulsa, and if I was in Chicago, I attended them. I haven't attended any meetings since the time that the company went into receivership. I think I have received notice of meetings since the time the company went into receivership.

Q. What notices have you received as to the holding of meetings? A. Well, I wouldn't recall.

Q. Do you recall whether they were many or few? A. Few.

Q. And do you recall when the last notice of any meeting took place? A. No, I don't recall. I have the minute books over there. If there were any meetings I could tell you.

Q. Were any meetings held in Tulsa since that time? A. No, sir.

Q. Where were all the meetings held since receivership? A. I think in Chicago and Wilmington.

Q. And in Chicago where were they held? A. I answered that question.

Q. I say, when the meetings were held in Chicago where were they held? A. At the office of Standard.

Q. That is since receivership too? A. I don't know. I haven't attended any.

Q. You have received notices, have you not? A. I can't answer definitely on that.

Q. When is the last notice of a meeting that you have received? A. I don't recall. I haven't attended any meeting since receivership.

Q. Have you received a notice of a meeting in the last year? A. I don't think so.

Q. That is reason enough to warrant you to remember it? A. No, I don't think so.

Mr. Oates: Your Honor please, Mr. E. H. Moore, who was formerly co-receiver of this property before the 77b proceedings were instituted, is here in the court room, but is leaving town later in the day, and I wonder if the court will permit the interruption of Mr. Francisco so I can ask Mr. Moore his opinion with reference to the appraisal filed by the Trustee. I thought that might be enlightening to the court.

The Court: That will involve the same kind of a cross-examination?

Mr. Honigman: Yes, sir, I would have to go through the same kind of a cross-examination, your Honor.

The Court: I don't care to hear that.

(Witness—Francisco) I gave the Reorganization Committee the information upon which to figure the calculation of earnings set forth on page 23 of Committee's Exhibit No. 1. In order to arrive at that figure of depreciation and depletion, which is stated at approximately a million two hundred thousand for a period of one year back of September 20, 1936, I used a tentative appraisal. I placed the same valuation on it that we have in the tentative appraisal of the Trustee. Earlier Mr. Shinners had requested some figures on which to base depreciation, and the Trustee wanted to know the approximate values of the properties. Now there was a rule of thumb estimate made of the values, and from that we determined the annual charge for depreciation and depletion.

Q. That was based on an estimate, Mr. Francisco, of Nine Million One Hundred Thousand for the fixed assets? A. No, sir, that was based on estimates for about Thirteen Million for the fixed assets.

Q. Why was that figure of Thirteen Million Dollars taken? A. That was taken early to determine an estimate of the value of the fixed assets, and also to arrive at some figure, estimated, for depletion and depreciation. That was a rule of thumb appraisal.

Q. Now when was that figure of Thirteen Million taken upon which this Million Two Hundred Thousand depreciation

was taken found on page 23? A. That wasn't taken from that. The figures taken from that Thirteen Million was One Million Two Hundred and Eighty-four Thousand that I think was in the original plan.

Q. From what figure was this Million Two Hundred Thousand taken? A. From the basis, estimate of appraisal that resulted in the tentative appraisal being filed. Now that was started in 1935; that was the reason we filed it here six weeks or two months ago; it was called tentative, because we had to do the whole thing over again. The Million Two Hundred Thousand figures come from preliminary figures.

Q. So those preliminary figures show a valuation of Thirteen Million Dollars, is that it? A. No, sir, the Thirteen Million figure was taken in 1933, and was a rule of thumb taken in 1935 when we thought perhaps this thing, the company, might be reorganized, we took an appraisal of the properties, a detailed appraisal, and then in 1936 we duplicated that work.

We used the figure of approximately Nine and a Half Million as the value of the fixed assets in order to arrive at this figure we are talking about on page 23. Claimant's Exhibit No. 12, an old exhibit in the file on the Standard hearing, contains three pages; the first page entitled, basis for appraisal January 1, 1919; the second page entitled, December 31, 1924; and the third page entitled basis for appraisal December 31, 1929. It was submitted by me as an exhibit in this case, but it was not prepared under my direction. I typed it up. Mr. Moore, Majewski, Mr. Riddle and Mr. Moody gave me the information upon which those values were based. I only compiled it.

Q. Did you attend the meeting of the directors of Deep Rock in Chicago in November of 1930 at which time a dividend was declared? A. I don't think so, but that is all in the record.

Q. Well, do you have any recollection of it? A. I don't think I attended any meetings where dividends were declared, Mr. Honigman.

I compiled Claimant's Exhibit 12 after the figures were given to me. I saw the figures used on that exhibit. Those figures show a value for the fixed assets alone as of December 31, 1929, of Thirty-seven Million Six Hundred and Eighty-five Thousand Dollars. I did not make any objection at that

time to the use of that valuation. I believed that that valuation was reasonably fair at that time. December, 1929, was about the time the bad experiences in the oil industry started. Right after that was when these flush fields came in. In appraising the producing department at Fourteen Million Six Hundred and Seventy-five Thousand Dollars, this statement shows 6450 barrels daily production at $1,500.00 a barrel. The gas properties were put in at a lump sum of Two Million Dollars. And there was 190,400 undeveloped acreage. The refinery department was valued at $700.00 a barrel, and the distributing department at twelve cents a gallon for station sales, and something less than that for tank car sale. Now that is an estimate. That is not an appraisal. That page is entitled "Basis for appraisal." I did not know the purpose of that page when I prepared it. I did not know it was going to be used as a basis for declaring a dividend. I thought that was a fair basis for appraisal at that time, because at that time properties, that is shortly before that time, for instance distributing properties, companies were buying them at twelve to fifteen cents a gallon.

Q. What has happened to the valuation of this company since December 31, 1929? A. Oh, many things have happened. The company is seven years older.

Q. Would you say that this company is in better shape today than it was at the inception of the receivership? A. Yes, sir, I should think so.

That does not apply to the production properties. I don't say that the production department of this company is not in as good shape today as it was at the time of receivership, but I do say the properties have been depleted; oil has been taken out of the ground, and have not sufficiently been restored in this four years. I don't think it is hard to account for the fact that the average daily production today is about the same as it was at the date of receivership. Stuff under proration would remain maybe fifty years at the same figure if you always had proration.

Q. You know as a matter of fact that there have been a considerable number of new producing wells since the date of receivership, have they not? A. Yes, sir.

Q. And do you think that the value of these new producing wells is greater than the depletion that has taken place? A. No, sir.

Q. Did you hear Mr. Greis' testimony? A. Yes, sir.

Q. Did you understand Mr. Greis to say that those values were greater today? A. I did.

Q. You don't agree with him then? A. No, sir.

I have seen the *forumla* for figuring depreciation set out on pages 61 and 62 of the amended plan. Item D, reads, on page 62 of Committee's Exhibit No. 1, "Estimated recoverable units at basic date." That Item D is a matter of estimate and opinion each year. I think the opinion is all right, but it may change because of developments. In other words, subsequent developments may change the estimated recoverable units from time to time. If you have a lease that cost you One Hundred Thousand Dollars to drill and produce oil; in the first year, at the end of the year when you determine your depletion on that lease, you figure on the basis of the total cost based on the estimated number of recoverable barrels. Now I will give you so much a barrel, which you charge off, you have used it up. At the end of the next year you have further information; you produced so many more barrels; perhaps have gotten a new sand; so you go back and adjust your recoverable units and that changes your rate completely for the following year.

Intervener's Exhibit No. 16 is the minutes of a special meeting of Board of Directors of Deep Rock of September 29, 1936. To the best of my knowledge, that is all the meetings that this corporation had during this year. I am the Secretary of Deep Rock. As Secretary I would be in charge of the minute book, but the Trustee is really in charge of the minute books of this corporation. As Secretary I have sent out no notices for any meetings.

Mr. Oates: For the record, may I state that to my personal knowledge there was a director's meeting of this corporation early in November, 1936, approving and directing the filing of the amended plan, and I have in my files here a certified copy of the resolution, which I will supply to counsel.

The Court: All right.

Mr. Honigman: Very kind of counsel to tell us about it. But apparently this is the first that Mr. Francisco has heard of it. Is that correct, Mr. Francisco? A. Yes, sir.

Q. (By Mr. Honigman) And you are still a director of Deep Rock? A. I don't remember of hearing of it.

Q. Are you still a director of the Deep Rock Oil Corporation? A. Yes, sir.

Mr. Honigman: That is all.

William R. Francisco, on cross-examination by Mr. Oates, testified:

I think approximately Eight Hundred Thousand Dollars has been collected by the Trustee on income tax refunds. All of that money is represented in the current assets of the company as shown on the balance sheet. There is about Two Hundred and Fifty-seven Thousand Dollars in escrow, but that is shown on the balance sheet too. I have given careful study to the accounting provisions of the amended plan of reorganization and the methods prescribed for the computation of depreciation, depletion and amortization. These meet with my opinion as the fair adequate way to make such computation in the handling of an oil business. The estimate of property values made in 1933 or 1934 by the Receivers and Trustee, the Thirteen Million figure, was not the result of a careful study of the various units, such as that which is the basis of this appraisal here.

John J. Shinners was recalled by the Interveners for further examination, and on examination by Mr. Honigman, testified:

I have noticed on page 64, or 63 and 64 of Committee's Exhibit No. 1, that the amended plan sets up a method for figuring the value of fixed assets for the purpose of arriving at the proper depletion and depreciation of this company. I believe the Committee and counsel were responsible for the preparation of that method.

Q. Now in the preparation of that item, it begins on page 63, paragraph No. 8, it says: "For the purpose of calculating depreciation and depletion, amortization of non-productive leaseholds, amortization of service stations leasehold improvements, and property abandonments in connection with the determination of 'available net income' for the purposes of the Income Debenture Indenture, the New Company shall keep a separate property account, in which shall be set up and properly allocated the amount of its fixed assets and those of its subsidiaries, the aggregate of which amount immediately following the consummation of the Plan shall not exceed the aggregate of (a) the principal amount of the Income Deben-

tures to be issued under the Plan." Now that is Ten Million, is it not? A. That is right.

Q. "(b) the principal amount of indebtedness of the parent Company to be assumed by the New Company." "Present Company," I meant, "to be assumed by the New Company." How much does that item amount to roughly? A. Which one?

Q. Item B, "the principal amount of indebtedness of the Present Company to be assumed by the New Company." A. I don't know what you are trying to get at.

Q. Your plan, Mr. Shinners, says, tells the items that you are to add up in arriving at the value to be placed on the fixed assets for the purposes of depletion and depreciation? A. Yes, sir.

Q. And it lists those items as (a), (b), (c) and (d). Now we have (a), Ten Million Dollars? A. Ten Million Dollars.

Q. (b) is "the principal amount of the indebtedness of the Present Company to be assumed by the New Company." A. One Million, Two Hundred and Forty-eight Thousand Dollars.

Q. Now (c) "the principal amount of indebtedness of subsidiary companies outstanding and not held by the New Company or another subsidiary." What is that item? A. May I ask Mr. Francisco that question?

Q. Surely. A. What is that amount, principal amount of indebtedness of subsidiaries not assumed by the new company?

Q. Not outstanding and held by the new company? A. That is right.

Q. It appears from those figures, Mr. Shinners, I think a rather small amount, Fifty or One Hundred Thousand? A. Thirteen Thousand.

Q. Thirteen Thousand all together? A. That is right.

Q. Now item (d) in an amount equal to $6.00 per share for the new common stock to be issued under the plan; $6.00 per share on 520,000 shares, is that right? A. Yes, sir.

Q. That figures - - - A. Three Million, One Hundred and Twenty Thousand Dollars, I believe.

Q. Totaling those items together we get a total valuation for the fixed assets of Fourteen Million Three Hundred and Eighty-one Thousand Dollars? A. Yes, sir.

Q. Now why was that figure of Fourteen Million Three

Hundred and Eighty-one Thousand taken in the face of an appraisal of Nine and a Half Million? A. We state shall not be more than that. Our objective was to set up the maximum valuation that the company could carry its fixed assets, so if in a year they would earn Two and a Half or Three Million Dollars, they couldn't say they had a property value of Thirty Million Dollars. We want to know if this company is going to earn substantial sums that there are going to be substantial distribution.

Q. Is there anything in this plan to limit you to the valuation reached by the Trustee in figuring the depletion and depreciation base? A. No.

Q. In so far as this plan is concerned, you have the right in the face of the Trustee's figures, nevertheless to set up your fixed assets at a valuation of Fourteen Million Three Hundred and Eighty-one Thousand, is that right? A. As far as the plan is concerned, the plan would permit for that, the plan established there, but not in excess of that amount.

Q. Does the plan say anything about what limitations are to be placed on you in going up to that amount? A. No.

Q. Does the plan require you to make an appraisal, or accept the Trustee's appraisal, in determining what value the fixed assets shall be carried at? A. No, sir.

Q. Now as a matter of fact, the question of the valuation for purposes of depletion and depreciation will materially affect the net earnings to be available for distribution to the income debentures? A. That is right.

Q. So, as far as the income debentures are concerned, you don't have to take a lower depreciation base than Fourteen Million Three Hundred and Eighty Thousand? A. No, we say it shall not exceed that.

Q. But you don't agree that they shall be less than that, do you? A. No, but I believe the new company in setting up its books will set them up in accordance with this appraisal.

Q. Is that your intention under this plan, that shall be done? A. I am not going to have anything to do with respect to the opening of the books of the new company. I think they will be opened probably under the approval and supervision of this court.

Q. You are going to have something to do with the protection of the security holders? A. I think we have done pretty well in that regard.

Q. And for the purpose of protecting the interest of the income debentures, it will be necessary for you to know what kind of depreciation and depletion base is set up? A. That is right.

Q. If they set up a Fourteen Million base, there will be more depreciation and less earnings than if they set up a Nine Million base? A. That is right.

Q. On the question of the jurisdiction of the court, what is the purpose of that provision? A. Well, I had an informal discussion with the court, which I mentioned in my testimony Saturday, and the court said he might conclude and determine to appoint Voting Trustees to operate this property, at least for a period of time, and it was my suggestion that the court retain jurisdiction, not by appointing four or five or six trustees, but to appoint the chief executive officer, some man in whom he had complete confidence with respect to ability and integrity. That is the purpose of it.

Q. That operates, however, only to such time as the notes are reduced to Five Million Dollars? A. That is right.

Q. And why is there any need for the court supervising it up to that point? A. I don't think there is any actual necessity for it.

Q. Well, there must be some good reason for it, isn't there? A. The court said he might retain jurisdiction by appointing a Board of Trustees for a time. I think this is a more simple method of accomplishing what the court probably had in mind; that is to say, that a substantial amount of these notes be paid off before it is turned back to Standard.

Q. The idea of that provision is to give some protection to the note holders from the management that is going to take over? A. I don't think you are going to get me to say what the court had in mind when he made that expression to me. You will have to ask the court that.

The Court: I can explain that, Mr. Honigman. Judge Ramsey helped reorganize one co. poration, the Oklahoma Natural and the court retained jurisdiction until they paid those notes off. They tried to get the jurisdiction relinquished; they tried to buy the notes at sixty cents on the dollar, or seventy cents, but I retained jurisdiction until they paid them off one hundred cents on the dollar. In other words, when the court is approving the issue and the securities like they

are doing here, I think the court has some responsibility to see that they are going to pay off what they agree to pay.

Mr. Honigman: The thing I was getting at, Your Honor please, if that was a good thing for the protection of the note holders, why wasn't it a good thing for the protection of the preferred stock.

The Court: It is a good thing for them. It will make your stock worth more when you get the notes paid off.

Mr. Honigman: That is right, but who is going to protect us from the Standard management that will have complete control, 73 per cent of the new company? Is there any provision for protection against that? A. No, sir.

The Court: Of course the courts will always be open to you when they get out of line.

Mr. Honigman: We want the courts kept open until they are put back into line.

The Court: I agree with you.

John J. Shinners, on examination by Mr. Oates, testified:

Q. Mr. Shinners, Mr. Honigman has called attention to the court of the statement appearing on page 2, paragraph 5, of the letter addressed by the Byllesby Company on November 20, 1936, in which statement is made that the Trustee of Deep Rock and his counsel has approved the new compromise. Did you make that statement in that letter? A. Yes, sir.

Q. On what basis did you make it? A. Well, I think at least counsel for the Trustee has done what is tantamount to approving it. He joined the counsel for Standard in recommending to the court that the Reorganization Committee be ordered to submit to the court the amended plan of reorganization. Also I had in mind that the Trustee and the counsel very definitely recommended the adoption of the compromise early in 1935, and said so in a letter mailed in the same envelope that accompanied a letter by Mr. Honigman's clients and believing this was a better offer of compromise we would have the support of the Trustee and his counsel.

Q. In referring to the report filed by Judge Ramsey and Mr. Gibson, did you refer to the language in that report which said, the undersigned have carefully examined the proposed amended plan and we are of the opinion that it is the best solution and we therefore recommend to the court that an

order be entered directing the Reorganization Committee to obtain from Standard, with the approval of the Delaware court, Standard's written offer of compromise, etc.? A. I took that to be an approval.

Q. That is the intent, to indicate in the letter that the Trustee and his counsel had taken an official position by filing that in the court? A. Yes, sir.

John J. Shinners, on examination by Mr. Ramsey, testified:

Q. I will ask you this, Mr. Shinners, if that report was filed at the direction of the court made orally in chambers in your presence and Mr. Milsten and my presence that he would appoint Mr. Milsten, Mr. Gibson and myself to consider the plan coupled with the proposed compromise? A. That is correct.

Q. And if the Standard made the proposition, it would have to get authority from the Delaware court? A. That is right.

The Court: Yes, I understand that. They recommended, Mr. Gibson and Mr. Ramsey did, and I think Mr. Milsten there said he couldn't get his co-counsel to agree with him, and he protested vigorously, to present this to the Delaware court and then present it there. A. That is what happened.

The Court: All right.

Mr. Honigman: Intervener's Exhibit No. 17 is entitled, "Deep Rock Oil Corporation—in receivership and wholly owned subsidiaries' Consolidated balance sheet as of December 31, 1933 (Based on proposed valuation of assets as of August 1, 1933)." And Intervener's Exhibit No. 17 is what Mr. Shinners submits he had in his possession at the time that he stated that the value of the fixed assets was Thirteen Million Dollars, which is shown on that report as Thirteen Million One Hundred and Eighty-four Thousand Dollars.

George E. Dell was called as a witness on behalf of the Interveners, and on direct examination by Mr. Honigman, testified:

Q. Mr. Dell, what is your occupation? A. Certified public accountant.

Q. And where do you reside? A. Kansas City, Missouri.

Q. And what societies do you belong to? A. The American Institute of Accountants.

Q. What states are you licensed to practice in? A. Missouri, California, and Oklahoma.

Q. What has your experience in the accounting business been? A. I have never done anything else. I went into accounting as a boy in 1896, and I have been in it ever since. I spent the first, my first fourteen years in the business in the north of England, and I came to the United States in 1910, and I have practiced accounting here ever since.

Q. What firms have you been associated with during that time? A. My first fourteen years in this country were with Arthur Young and Company, and since that time I have been in my own business, or rather in partnership in my own company.

Q. And this Arthur Young and Company is a national accounting firm? A. Yes sir, they have a number of offices.

Q. And what offices, if any, did you operate for them? A. Well, the first four years I was with them, that was immediately after coming over to the United States, I was in their Kansas City office as a senior accountant, and then . . .

Mr. Oates: If Your Honor please, to shorten things, I will admit his qualifications.

Mr. Honigman: We will be through in just a minute.

The Court: Go ahead then.

A. In 1915 I was given a junior partnership in that office; I became one of the two managing partners. I occupied that position until 1920, when they had quite a growing business in southern California, and I was sent to Los Angeles to take care of the business.

The Court: That is sufficient qualifications.

Q. (By Mr. Honigman) Have you had any experience in accounting in the oil industry? A. Oh, quite a lot.

Q. In what way? A. Auditing, special examinations and investigations, both large and small companies.

Q. I show you Intervener's Exhibit No. 18, which is entitled Analysis of open account with Deep Rock Oil Corporation, formerly Shaffer Oil and Refining Company, for a period from June 1, 1919, to February 28, 1933, as revised, which ex-

hibit appears as Exhibit A to the claim of Standard Gas and Electric Company, and has with it a letter from *Haskens* & Sells, certified public accountants, dated July 10, 1933, addressed to Standard Gas and Electric Company, and I will ask you if you have examined and considered this exhibit? A. I have.

Q. From your examination of this exhibit can you tell whether this exhibit purports to be an audit of the account between Standard and Deep Rock? A. It doesn't purport to be an audit of the account.

Q. What does it purport to be? A. It merely purports what it states it is; to be a summary of the transactions as they appear on the books.

Q. Is that exhibit, Intervener's Exhibit No. 18, sufficient to tell you anything about the correctness of that account? A. No. It merely states, as I said before, a summary of the account as it appears on the books, and expresses no opinion as to the propriety or accuracy of any items in that account.

Q. As it appears on whose books? A. On the books of the,— the analysis of the open account on your general books, and it is addressed to Standard.

Q. Have you read and considered the testimony of Mr. G. T. Cross of *Haskens* & Sells, which appears on page 259 of the transcript in the proceedings before the Special Master, up to page 268? Do you recall having read and considered that testimony? A. Yes sir, I have read that.

Q. Is there anything in the testimony of Mr. Cross that indicates that any investigation was made as to the propriety of the charge found on the books of Standard? A. No, not that I can see.

Q. Did you examine the testimony of Mr. Charles E. McClune, of the firm of Peat, Marwick & Mitchell?

Mr. Ramsey: What is the purpose of that testimony?

Mr. Honigman: We will be through in just a minute.

The Court: Let him go ahead.

Q. (By Mr. Honigman) Have you examined the testimony of Mr. Charles E. McClune, which appears on page 269 to 271 of the transcript of proceedings before the Special Master? A. I have.

Q. And have you found anything from that testimony to

indicate that any audit was made as to the accounting between Deep Rock and Standard? A. Not as to the propriety nor accuracy of the items.

Q. Did either Mr. Cross *of* Mr. McClune claim to have made an audit for the purpose of ascertaining the propriety of the charges contained? A. No.

Q. Now in considering the propriety of charges that appear upon the books of one corporation in its dealings with another, is the fact that both sets of entries agree of any significance? A. That would depend entirely upon the circumstances.

The Court: That would depend upon the character of the corporations and their management, as to the honesty or dishonesty of the items, isn't that right? A. Yes sir.

Q. (By Mr. Honigman) Where corporations were dealing at arm's length, and their accounts as to their transactions agree, would that be any indication as to the propriety of those charges? A. If the corporations were entirely foreign to each other, and dealing at arm's length, and the balances agree, it would be a reasonable assumption that the items were correct.

The Court: Of course, if you think one corporation was stealing from the other . . .

A. No, as a matter of fact, Your Honor, if the corporations were apart, and an independent check of one corporation against the other corporation's files,—for instance, if I may talk this way - - -

The Court: Just tell me what you think about it?

A. If you were operating a business somewhere, and you had me in as branch manager, and I didn't have any interest in that business, and you sent me a letter, sent me a check for Two Thousand Dollars, and charged it to expenses, I would say all right. But if I had an interest in that business, I would tell you to wait a minute, and want to know what it was all about.

The Court: You would want to know what you spent the money for? A. Yes sir.

The Court: But if you were in on the deal, you would put it in your book and go ahead. I think that is perfectly clear.

A. Now I would like to explain it this way, and the explanation is purely hypothetical. In any related company there

is a great possibility of the transactions, as they affect the subsidiary, merely being dictated to the subsidiary.

The Court: There is no doubt about that.

Q. (By Mr. Honigman) In a situation, Mr. Dell, where one company dictates to the other what items shall be entered on its books, is the fact that the two accounts check as far as total balances are concerned, net balances, is that any indication of the propriety of the charges? A. No, it is not.

Q. In investigating through an accounting standpoint in accordance with proper and reasonable accounting methods, is Intervener's Exhibit No. 18 a fair investigation of the dealings between the corporations, between Standard and Deep Rock Oil Corporation?

The Court: I don't understand that it purports to pass on the propriety.

A. No, it does not. It is merely a statement of what the books show. I wouldn't say anything which attacks this form; it merely says, this is what your books show.

The Court: And you think that is a correct statement? A. That is a correct statement. I haven't seen the books, but I am willing to accept their word for it.

The Court: Mr. Dell, that is what they were having this long hearing before the Master for. Then is when they inquired into the propriety of this. Now couldn't the Master and the court do that just as good as an accountant. In other words, go into the honesty or dishonesty of the items? A. Yes sir.

The Court: Don't take an accountant to tell us whether one man is stealing from another, does it? A. No. When you get these things from testimony it depends entirely on the questions that are asked.

The Court: What I am trying to get at, Mr. Honigman, is trying to ask you, that this certificate nowhere claims to go into the propriety of the items? A. No.

The Court: But you don't intend to tell him it would take an expert certified accountant to tell whether one corporation's item of charge against another is a proper item or not. The court or jury can hear that from testimony and determine that question?

A. Yes sir. The only point that the accountant, the only

thing the accountant could do in a case like this, would be to make his examination. This was just a summary and ear marked the items in his opinion for explaining.

Q. (By Mr. Honigman) In other words, the report shows the specific items in his opinion for explaining? A. Yes.

Q. Does that attempt to show that? A. No sir.

The Court: No, nobody claims it does. Just merely passed it to the Master and counsel.

Q. (By Mr. Honigman) Is there anything on the face of this report, Intervener's Exhibit No. 18, that from a cursory examination indicates errors in accounting or in calculation? A. Yes sir.

Q. What items are those? A. There are a very few. This analysis is so condensed that it is almost impossible to pick out anything, but there are one or two items which can be followed. There is an item of interest at eight per cent per annum on Seven Hundred and Fifty Thousand Dollars worth of notes. Eight per cent per annum on Seven Hundred and Fifty Thousand is Sixty Thousand Dollars, it is not Sixty Thousand Eight Hundred and Eighty odd Thousand.

Q. Does it appear to you why that error appears? A. It is very clear. The items of interest, while they are referred to as being seven per cent per annum and eight per cent per annum, they are figured at eight per cent or seven per cent, as the case may be, for Three hundred and sixty days, which results in over charges amounting to one-seventy-third of the total amount charged. It is an over charge of one-seventy-seconds.

The Court: Don't you think if you accountants don't make a more serious mistake that one-seventy-second - - -

A. It is affected Four Million Nine Hundred Thousand Dollars - - -

The Court: How much in dollars and cents does it make?

A. Now the figure I am speaking of is not a compounded figure; that is simple interest; so you see one year Sixty Thousand Eight Hundred odd Dollars, and the next year, it happened to be a leap year, and had one more day, so the addition of one day would increase the interest.

Q. (By Mr. Honigman) Can you tell whether all the interest charges are being calculated on a three hundred and

sixty day basis? A. I can't tell that they all are, but those I am enabled to check are. For instance these notes of Four Million Two Hundred and Fifty Thousand, now speaking of items to which exceptions should be made, Four Million Two Hundred and Fifty Thousand, that is a six per cent note, interest would be Two Hundred and Fifty-five Thousand for one year. It is charged for one year in here Two Hundred and Fifty-eight Thousand Dollars. That is the effect of the 360 day basis instead of 365 day basis. As a matter of fact a year's interest should be shown as 365/360 in each case.

Q. Did you notice any other items, Mr. Dell? A. Of inaccuracies and open to question?

Q. Well, are open to question on the face of the report? A. If I was making the report I would consider an item like this open to question; that is speaking of the Four Million One Hundred and Twenty-five Thousand Dollar note.

Q. What item in connection with this? A. The note was a five year note. It was taken up in a little over a year, but none of the discount was adjusted.

Q. In other words, an One Hundred and Seventy Thousand Dollar discount when Standard took the note from Deep Rock, is that right? A. Yes sir.

Q. And it was a five year note, is that right? A. Yes sir.

Q. Then when the note was cancelled into the open account, that item of discount was not readjusted at the end of that year?

Mr. Ramsey: That has all been gone into before the Master, the discount, and how they took it up and everything, and the calculations that were made.

The Court: Well, he wants to prove one certified accountant makes mistakes.

Mr. Ramsey: I know, but they are not changing the evidence.

The Court: I agree with him about that, hearing so many testify. They all have their methods of figuring, and sometimes the figures coincide with the objective to be obtained. Go ahead.

Mr. Honigman: That is all.

Cross Examination by Mr. Gibson:

Q. You have never seen the claim that was filed in this case, have you? A. No sir.

Q. That is not the claim that was filed, and does not purport to be the claim? A. That doesn't purport to be the claim.

Q. And you don't know anything about the claim that was filed, and you have never examined it? A. No sir.

Q. About all you are trying to say is that another certified accountant didn't figure interest the way you figure it? A. No, this firm didn't figure this interest.

Q. How do you know? A. As far as I know. They don't say they did.

Q. They put the figures down, didn't they? A. According to this they did not; they copied them from the books.

Q. Will you please tell me about that Seven Hundred and Eighty Dollars that you found there and the fact that they didn't have but 360 days in their year? What page is it on? A. It is interest on Seven Hundred and Fifty Thousand notes.

Q. Where is it, please sir? I meant the first item that you referred to in which you said that they had an error of Seven Hundred Dollars in their calculations? A. Interest?

Q. Where is it, please, on what page? A. The first white page.

Q. The first page of the account? A. Yes sir.

Q. What is the account? A. The third item from the bottom.

Q. Interest on five year six per cent notes owned by Standard Gas and Electric Company? A. Yes sir.

Q. That is not what you referred to at all? A. Yes, sir, it is.

Q. You said those were neither the figures nor amounts that you referred to? A. Yes, sir, they are.

Q. Now where is the error? You mean the total of Three Hundred and Thirty-one Thousand Five Hundred is incorrect? A. On the basis of 360 days to the year.

Q. What was the face of the notes? A. The face of the note, I have to get that from the testimony.

Q. From who? A. I just stated that was given me from the testimony.

Q. Then you had to put the testimony and this together.

What was the face of the notes? A. Three Hundred and Thirty-one Thousand Five Hundred, interest on notes receivable, that is the item?

Q. $184,087.93? A. Yes, sir.

Q. Now what notes were they? A. The testimony shows that to be one note of Four Hundred Thousand and one of Three Hundred and Fifty Thousand.

Q. And you don't know how long they ran? A. Exactly, the details were all in the testimony.

Q. Then should this be more or less? A. This should be,—will you look at the claim headed 24?

Q. On the same page? A. Yes, sir. Now those are the periods for which those notes ran. Now if you will look for the first year, 1924, $60,999.02.

Q. Yes. A. These notes. according to the testimony, were eight per cent notes. The interest for a year would be $60,000.00.

Q. Then you have had to guess that that testimony was applicable to this, and that they used 360 days instead of 365, is that it? A. No.

Q. In other words, you have construed the testimony in the case applicable to this? A. No, I haven't. The total interest is referred to, refers to the notes.

Q. You have never read any part of the testimony except a small amount shown to you by counsel? A. Very small, very brief.

Q. Now as to the other item in regard to the eight per cent that you say, I wish you would tell me again, is that due to the fact that they used too few days in the year? A. Yes, sir, 360 days.

Q. Now do some firms of accountants use 360 and some 365? A. This has nothing to do with the accountants at all.

Q. You said the accountants determined the propriety of charges? A. No, I didn't.

The Court: No, he said they earmarked the items.

A. That they thought was open to question.

Q. (By Mr. Gibson) And as a matter of fact you don't know anything about the propriety of these charges at all, do you? A. No.

Q. You are looking at it solely from an accountant's standpoint? A. Solely.

Q. And just figures alone? A. That is all.

Mr. Gibson: That is all.

(Witness excused.)

C. J. Smith was called as a witness on behalf of the Interveners, and on direct examination by Mr. Honigman, testified:

Q. Now Mr. Smith, what connection have you had with the oil industry? A. 1918 I started in with the Standard Oil Company of Indiana in *Caspar*, Wyoming, as assistant chief chemist, and was with them two years, and then in 1923 as assistant superintendent of their refinery. After that time I left them to build a refinery for White Eagle Oil and Refining Company in *Caspar*. I went to Texas and built a pipe line for Mr. Dorsett Carter from Oklahoma, and I operated that system for him until 1928, until July 1, 1928, when I came to Tulsa, Oklahoma, as general superintendent of the Forrest T. Gilmore Company. Now I operated those properties until they went into the hands of a receiver.

The Court: I don't care about hearing the witness tell how many plants he operated. I would like to know that he has been in that business a long time and has had experience. I am satisfied Mr. Smith has.

Mr. Honigman: All right, Your Honor.

Q. (By Mr. Honigman) Mr. Smith, did you examine the refinery of Deep Rock at Cushing, Oklahoma? A. Yes, sir, I did.

Q. And in what condition did you find that refinery? A. In very good operating condition.

Q. In connection with the oil industry are you acquainted with those matters that are taken into account in determining the value of oil properties? A. I wouldn't want to qualify on production.

Q. Are you acquainted with those matters that are taken into account in determining the going concern value of an integrated oil unit? A. Yes, sir, I think I am.

Q. And in this particular situation would you say that it is fair to evaluate the different departments without considering the business as a whole? A. No, I don't think so.

Q. Would you say that in determining the valuation of Deep Rock it is fair to take the physical values of each department without taking into account the question of earnings? A. No, I don't think so.

Q. What do you believe to be, or what do you state to be the basic consideration in determining the value of a going concern? A. When I place a value on an operating piece of property, if I am doing it for a person that wants to buy it, I take the earnings of the property and carry those earnings over a period of three years time as a fair value for purchase; figuring that the property, providing it is a going concern and has been operated for some time, has at least five years more operating time, figuring that the property pays out in the three years time, and that he has two years time to make a profit on his investment.

Q. From the standpoint of keeping this company a going company, earning at substantially the same rate that it is earning now, how much do you believe in addition to expenses for maintenance should be spent on the refinery for additions and improvements per year? A. Well, a refinery of that type, should set up not less than One Hundred and Fifty Thousand Dollars a year for replacements and obsolescence.

Q. If an amount of One Hundred and Fifty Thousand Dollars per year was set up on this refinery for replacements and obsolescence, would you say that this refinery could continue as a going concern in good shape and up to date? A. Oh, yes.

Q. Now considering that this company has four hundred miles of pipe line, that are presently valued at $719,934.00, how much do you think should be set aside for new equipment for the pipe line department during the course of a year in order to have such additions and replacements as are reasonably necessary to keep this pipe line in good condition as a going concern? A. A pipe line of that dimensions, I should say set aside Fifty Thousand Dollars a year for their replacements.

Q. Taking into account that this company has 575 tank cars, did you notice any of their tank cars, by the way? A. Yes, sir, we looked at possibly around 60 that were on the racks.

Q. What would you say is the condition of their tank cars? A. It is very fine equipment.

Q. About how much should be set aside per year in order to keep this fleet of tank cars in good operating shape so that

this company could continue to be a going concern at all times? A. Well, a tank car's life is good for about thirty years; twenty anyway, say twenty, conservatively, and I would say if you would replace five per cent of your fleet a year, you would be setting aside sufficient reserves.

Q. As a matter of fact this company has tank cars running for how long? A. They have tank cars that are, I imagine, twenty years old that are in good running condition. They have taken very good care of their equipment; their tank cars, even the old ones, they have strengthened the frames and everything like that so they would conform to the present set up of tank cars that will allow them to roll.

Q. How much do you think should be set aside per year for tank cars to keep the cars in good condition, over and above maintenance? A. I would say Forty Thousand Dollars. Say replace twenty cars, Two Thousand Dollars apiece possibly will be all right.

Q. In referring, Mr. Smith, to Exhibit 14, Intervener's Exhibit No. 14, it appears that there has been spent, at page 5 thereof, that there has been spent during the forty-four months of the receivership One Million Eight Hundred and Fifty-six Thousand Dollars on the production department, and it appears from this testimony that this production department has been maintained at a fairly level keel by the expenditure of that amount of money during that period of time. Assuming, by calculating, that that amounts to approximately Forty-two Thousand Dollars a month, spent to keep the producing departmen on an even keel, which would make approximately Five Hundred Thousand Dollars a year; and assuming an expenditure of approximately Ten Thousand Dollars a month to keep the distributing department in fair shape, as it appears from page 5 of Exhibit 14, or One Hundred and Twenty Thousand Dollars a year for the distributing department. Adding those figures to the figures that you gave me, that equals a total of Eight Hundred and Sixty Thousand Dollars per year. If that Eight Hundred and Sixty Thousand Dollars were spent per year on this company as an integrated unit in the oil industry, would that keep this company a going concern as long ahead as you can see? A. My opinion, by setting up these reserves, you could keep your plant in good running condition for a long time to come.

Q. By setting up those reserves, would it be fair to set up

those reserves as the depreciation and depletion reserves in order to keep this company as a going business? A. I would say so, yes, sir.

Q. Now it appears, Mr. Smith, from Intervener's Exhibit No. 15, which is the Trustee's report showing condition as of December 31, 1935, and Intervener's Exhibit No. 14, which is the Trustee's report showing earnings and condition as of October 31, 1936, that for a ten-month period this company earned approximately, net earnings before any reserve for depreciation and depletion, was approximately One Hundred and Eighty-five Thousand Dollars per month, or approximately Two Million Two Hundred and Twenty Thousand Dollars per year, before reserves for depreciation and depletion. Now if we deduct Eight Hundred and Sixty Thousand Dollars for a year from that figure, would One Million Three Hundred and Sixty Thousand Dollars be a fair statement of the net earnings of this company? A. The way it is being operated by Mr. Greis I would say yes.

Q. What in your opinion is the value of this company, assuming that it has net earnings for the year 1936 of One Million Three Hundred and Sixty Thousand Dollars, as far as the physical assets of the company are concerned? A. Without any appraisal of the property, and you understand, Your Honor, I have never seen one, I would say that properties that had an earning value of One Million Three Hundred Thousand Dollars, and with a reserve set aside for its upkeep, should have a valuation of around ten times its earnings for a year.

Q. That would place a value on this company as a going concern of Thirteen Million Six Hundred Thousand Dollars for the fixed assets, is that right? A. That is right.

Q. And in addition to that must be added the current assets consisting of cash, accounts receivable, and inventory? A. That is true.

Q. Assuming in this situation that the current assets—

The Court: I don't think the other side disagrees very much about your valuations.

Mr. Honigman: We disagree to the extent of about Four Million.

The Court: You know that is not much disagreement in oil properties in guessing at values.

Mr. Honigman: That is right, if Your Honor please, but it is

just enough value to mean the difference between wiping out the preferred stockholders and giving them a chance to get their investment back.

The Court: You think that is what they are trying to do?

Mr. Honigman: That is correct.

Q. (By Mr. Honigman) Now adding to that figure of Thirteen Million Six Hundred Thousand current assets as of October 31, 1936, of Eight Million Seven Hundred Thousand, gives a total valuation of Twenty-two Million Three Hundred Thousand Dollars. Under the facts stated to you is that, in your opinion, a fair valuation of this company? A. Well, now I would have to know before I would answer there, whether the indebtedness has been paid.

Q. That is before figuring indebtedness, Mr. Smith? A. Again I will have to qualify the statement because I haven't seen a list of the properties, that is a break down of the physical inventory that I take the answer as to that final valuation.

Q. As a matter of fact the estimate of valuation, assuming a figure of Thirteen Million Six Hundred Thousand for the fixed assets, and adding this figure Eight Million Seven Hundred Thousand for the current assets, would you say that the total, less liabilities, of course, would constitute the value of this company? A. Yes, sir, I would say yes.

Q. And that in your opinion constitutes the fair value of this company at this time? A. Yes, sir, I do, without having a physical break down of the entire property I would place my opinion as a valuation of that kind.

Q. Do you think that the earnings,—what do you think as to the value of the net earnings in determining the fair value of the property, such as the type owned by the Deep Rock? A. Well, I think it has to be taken into consideration, because if you start breaking away any part of the system, you have integrated the entire system with the production itself, because no one could use the pipe line, and nobody else would have the refinery without the connection to the entire set up.

Q. So in valuing this property you have had to consider it as a unit? A. Yes, sir.

Q. And does the thing as a unit add value to the integral parts of it? A. Oh, yes.

Mr. Honigman: That is all.

Cross Examination By Mr. Oates.

Q. Mr. Smith, you say you have seen this refinery? A. Yes, sir, I have.

Q. And you saw a half dozen tank cars? A. I saw about sixty.

Q. Oh, I thought you said six. Have you seen any of the other properties? A. No, sir.

Q. And you haven't studied any of the reports in reference to the production of any of the oil production properties, have you? A. I have not.

Q. And you don't pretend to know about the value of oil production properties? A. No, sir, I do not.

Q. What you have done is assuming a certain figure as a net return, and multiply it by ten as a value of fixed assets. A. That is all.

Mr. Honigman: I desire to offer for the inspection of all counsel, the powers of attorney and everything, all of which is attached to our petition for intervention, and the actual powers of attorney executed before Notaries are here and being tendered, and I ask the privilege of withdrawing them after inspection of counsel.

Mr. Oates: That is entirely satisfactory.

The Court: You may do that.

Mr. Honigman: In connection with that, I wish to state that the powers of attorney filed with the Independent Committee, the total is 8318 shares of preferred stock, which is, after deducting the withdrawals of 2340 shares by the Pitcairns, which they had previously filed power of attorney for with our Committee.

The Court: That is what per cent?

Mr. Honigman: That constitutes a little over sixteen per cent of the outstanding preferred stock, if Your Honor please.

The Court: All exhibits marked in this hearing are admitted into evidence.

Mr. Honigman: And let the record further show, that as part of this record is considered all testimony, exhibits and pleadings that were introduced or have been filed in this court

in connection with the hearing on the merits of the Standard claim before the Special Master, or before Your Honor.

The Court: It may be considered.

Mr. Oates: Including the report of the Special Master on the first offer of compromise?

The Court: Yes, including his report and recommendation.

Mr. Oates: Your Honor please, pursuant to the request of Mr. Milsten, Mr. Shinners has requested an officer of Byllesby & Company and an officer of Standard to wire the clerk of this court in reference to the number of notes and shares of stock owned by Byllesby and Standard, respectively, and their respective officers and directors. Those wires have come to the clerk of the court in answer to that inquiry, and in filing them as a part of the record in this proceeding I would like to ask comparable questions of Mr. Honigman as counsel for the Taylor Committee, I would like to have him state the number of shares of preferred stock owned by this intervening preferred stockholders' Committee, when they were bought and what was paid for them.

The Court: All right, let him answer.

Mr. Honigman: Your Honor please, all stock owned by members of the Committee appears in the petition for intervention, or subsequent certificates filed, showing the powers of attorney on file with the Committee, but to the best of my knowledge, information and belief all those shares of preferred stock are stated to be in the names of the people that have them. I might say this, are you submitting, Mr. Oates, the information with reference to what the Committee owns?

Mr. Oates: Mr. Shinners has testified that no member owns a single note or share of stock.

Mr. Honigman: Now whatever the Committee members own, it is in the record; it is in the list of the powers of attorney they filed.

Mr. Oates: But it doesn't state when they bought it, or how much they paid for it. That is what I want.

Mr. Oates: The record shows, Your Honor, that when the Taylors intervened in this proceeding early in 1935 there were two of them, and they were the owners of 550 shares of stock. In the objections that have been recently filed on behalf of the

Taylor Committee, with attached lists of security holders which the Taylor Committee represents, and which are filed under the oath of the Taylor Committee, it appears that John M. Taylor, one of the two interveners, is now the owner of 1261 shares of preferred stock.

The Court: He has bought some.

Mr. Oates: He has bought the difference in the intervening period.

The Court: That is perfectly legitimate.

Mr. Oates: What he paid for it may be important.

The Court: I have an idea he bought it cheap.

Mr. Honigman: I might say this: these wires do not disclose how much stock they dealt in during this period. They merely disclose what they own today.

Mr. Ramsey: I understand now, to make the record plain, that all the evidence, including the parole testimony and all the exhibits introduced in evidence before the Master, is a part of this record.

The Court: That is right.

Mr. Ramsey: Then I want this put in the record: That all the evidence before the Master was introduced and the case closed before the Master the first part of February, 1935.

Mr. Honigman: The record shows that.

The Court: I assume the record shows that. Do you gentlemen want to argue this matter?

(Thereupon the cause was argued to the court by Mr. Honigman and Mr. Milsten, Mr. Gibson, Mr. Ramsey and Mr. Oates).

Intervener's Exhibit No. 19 is the statement of the Trustee sent out under date of August 23, 1935, in connection with the first compromise proposal.

Mr. Doerner: If Your Honor please, I represent the Pitcairn Company and the Philadelphia Investment Company, and I understand Mr. Shinners in his testimony said that the Reorganization Commitee was willing to adopt the suggestions or modifications as made by my clients, and with

that understanding we have no objections to the approval of the plan.

The Court: Very well.

(Thereupon the cause was argued to the court by Mr. Honigman and Mr. Milsten.)

(Mr. Gibson): Now as I say, Mr. Ramsey and I have spent many months in a consideration of the probable value of Standard's claim, and when we offered this compromise, and I am dealing solely with the question of money, we arrived at it by taking the record which is in this court, which shows this state of facts, and it is what the present money offer is composed of. Since the settlement in 1928 Standard, according to its records, has actually paid to third persons for the account of Deep Rock the sum of $5,626,875.22. It has actually made cash advances to Deep Rock of $1,225,000.00, making a total of $6,851,875.00, of which there has been repaid to it $4,475,798.91, which leaves a balance of $2,376,076.31, which is one of the two items entering into this proposed compromise, and of course interest in addition. Now on the other basis—

Mr. Ramsey: Now that money was paid third persons.

Mr. Gibson: Yes, all paid to people not connected with Byllesby, Standard, Deep Rock, or anybody else, but paid to people outside.

The Court: What is that item?

Mr. Gibson: $5,628,875.00 paid people outside.

The Court: How much has been paid back?

Mr. Gibson: Four Million Four Hundred and Seventy-five Thousand, and then One Million One Hundred and Twenty-five Thousand paid to Deep Rock directly, leaving a balance of Two Million, which is one of the items of the compromise, and which is to be subordinated to the noteholders.

Now the Bradstreet properties cost Six Hundred and Fifty Thousand Dollars, or Six Hundred and Forty-nine Thousand Dollars. The cost of the cracking plant over there, with some new purchases made in addition to the Bradstreet property, was $1,894,592.11. These properties are the property of the Refining Company, an independent corporation. Now that company owes a note for this one million, eight hundred and ninety-four thousand, and it owes the greater part of the six

hundred and forty-nine thousand. So with interest on that, the total on account of the purchase of the Bradstreet properties and cracking plant are Three Million and Seventy-two Thousand Dollars. Now from that, we started with those as points which we thought were practically unassailable, unless Your Honor should invoke the instrumentality rule, and I know possibly some should be collected out of the Nine and a Half Million which the claim contains.

Now after much controversy over the question of these rentals, we deducted absolutely from the cost of the Bradstreet and cracking plant the total amount of rentals paid since the settlement of 1928, which is One Million, Four Hundred and Seventy Thousand. That is charged; we never got it; just charged on the books. And then since this proceeding began, since the receivership, the Deep Rock paid Twelve Thousand Five Hundred Dollars to apply. I don't mean the Deep Rock, but the Refining Company paid Twelve Thousand Five Hundred Dollars to apply on that old Eight Hundred Thousand Dollars note, so the balance, after deducting all the rental, and this Twelve Thousand Five Hundred, is One Million Four Hundred Eighty-seven Five Hundred Dollars, and that is the second item which enters into the compromise.

I cannot conceive of any one finding from the facts in this case that there has been such violation of the law, such violation of the rights of parties as to possibly justify the disallowance of those claims, no matter whether we are trying the case on its merits or compromise. At least for the purpose of compromise Standard still has its contention that Nine and a Half Million Dollars is due. It proposes to take this Four and a Half Million with the interest calculated, of course. It proposes to see that there is immediately turned over to the Trustee of Deep Rock the entire property of the Bradstreet leases and the cracking plant. It proposes also to turn over a deed to these little pieces of land scattered around through the refinery, which I imagine are worth a few dollars, but practically not worth anything at all. And I have in my possession those instruments, and have heretofore tendered them to the Trustee, and am ready to deliver them whenever the plan is finally approved. Now there is the basis of the compromise.

Mr. Ramsey: Will the court permit me to advise Your Honor just a few minutes?

The Court: Yes.

Mr. Ramsey: First, I represent the Trustee, and concur with Mr. Gibson in recommending this settlement to the court. I want to say this much, that I regard that settlement as a good settlement. You will remember a few years ago my clients obtained a judgment in this court for Two Hundred and Two Thousand Dollars against Eagle-Picher Lead Company. Counsel for Eagle-Picher offered us One Hundred and Fifty Thousand Dollars spot cash for that judgment, and I advised my clients to take it.

Now on the instrumentality law in approving this settlement, Your Honor don't have to pass on that. It is folly to talk about passing on the merits of a case and approving a compromise. Whenever you pass on a question, that is an adjudication.

Now I think I argued this case for two hours when the proposition of compromise was before the court before. I was not satisfied with the original plan, although I never took any particular stock in the reorganization. I regarded that as something for the Reorganization Committee, and as counsel for the Trustee we did not participate. I examined the original plan, however, and I did not think it was a fair plan. And this proposed compromise we had before, I wasn't very keen for that, and Your Honor remembers I made an argument on the merits of the case before, but you have got to do this. I think I have read all the decisions. I spent weeks and weeks preparing a brief in this case, with a synopsis and a narrative statement of the testimony, got it all right here, every witness's testimony is narrated; every item in this account of the Standard has been investigated.

Now the instrumentality doctrine; you commence with this situation, about which there is no dispute; that the Shaffer Oil and Refining Company, the former name of the Deep Rock, was not organized as a department or agency of the Standard. There is not any dispute about that. We never insisted it was organized as a department of the Standard. It operated a couple of years under the administration of Charles B. Shaffer, who conveyed the major part of the properties to the Deep Rock. There is another thing on the instrumentality proposition that has to be investigated, and that is, the assets or property of Standard and Deep Rock were never comingled. Now you take this book, Powell on Corporation subsidiaries, and you will find out those are very important questions. Now

that is a *debateable* question, and the only way the court can find that the Deep Rock is an agency and a department of the Standard is to find they were converted by this operation into a mere instrumentality of the Standard. Now I have argued all those questions. Now if the court should hold, or if the Court of Appeals should hold that the Deep Rock was not a department of the Standard, the Standard claim on a parity with the noteholders will be allowed for not less than Six Million Dollars. Now I have gone all through this, of course, and if you remove the question of agency, you are going to have a judgment against the Deep Rock Oil Corporation of not less than Six Million Dollars. Now there is not any escape from that under the facts and findings in this record.

Mr. Honigman: You previously said Three Million.

Mr. Ramsey: Here is the statement I prepared for the Trustee, and there it is. I say to you—

Mr. Honigman: Yes, do you want to put that in the record?

Mr. Ramsey: Yes, put it in the record, and don't disturb me either.

The Court: Just one talk at a time.

Mr. Ramsey: At certain times certain fellows rub my hair wrong. Now here is another item; December 31, 1928, dividend, Eight Hundred and Forty Thousand Six Hundred and Seventy-Two Dollars. The Standard has a chance to sustain that. That is a *debateable* question under the Delaware corporation wasting asset rule. Now that is all explained in this statement I prepared for the Trustee, which I will be glad to have put in the record as a part of the evidence in this case.

Now this compromise, as Mr. Gibson has explained, eliminates every fraudulent item in this claim of the Standard. Now the refining company is no doubt a department of the Deep Rock. There is not any dispute about that under the facts in this case. There cannot be any other proof than that the refining company is a department of the Deep Rock, but the refining company, the Bradstreet property cost Six Hundred and Fifty Thousand Dollars. The Standard paid Five Hundred Thousand Dollars of that money, and the title was taken in the name of J. C. Kennedy. There is not any

doubt but what it was intended to be the property of the Deep Rock, under this record. The Deep Rock paid One Hundred and Fifty Thousand Dollars of that.

Now there was spent in developing the Bradstreet property, and in the acquisition of these others, the sum of One Million, Thirty-Three Thousand, Two Hundred and Ninety-One Dollars and Thirty-Two Cents. From the date of their acquisition in February, 1923, up to October 25, 1925, the date of the first lease, you had all those figures for the cost of the Bradstreet property, the cost of the cracking plant, and you have got a sum of Two Million, Five Hundred and Forty-Four Thousand, Five Hundred and Ninety-One Dollars. Now the Standard credited the Deep Rock with that amount; took the refining company stock of 8,325 shares, and some other shares, made 9,000. The Standard owns that stock, although I contend the refining company is merely a department of the Deep Rock.

Now the refining company executed to the Standard a note for $1,894,592.11. Now I don't think there is any doubt but what a court of equity would require that note to be paid to the Standard. The Standard paid the money to the refining company, and the refining company got it, and the court is going to give the Standard that $1,894,592.11. Now there won't be any escape from that, unless you wipe it all out under the instrumentality doctrine.

So when you get down to this compromise, as Mr. Gibson said, we went over this, and this compromise doesn't allow the Standard any of these items that are contested by the Trustee. All these fraudulent rental charges are eliminated. And in this proposed settlement we actually recovered on the figures advanced, the Deep Rock got back One Million Four Hundred and Fifty Thousand Dollars of those rentals out of money that Standard paid to third persons on account of the Deep Rock.

So taking this whole thing into consideration, I don't think the court will be justified, and after you have added up all the Standard's claims, will run the claim to over Twelve Million Dollars, I don't believe it is good business to bet Six or Seven Million Dollars that the courts will uphold the instrumentality rule. Now that is my honest opinion about it. So far as I am personally concerned, I prefer to fight it out, but when it comes to my responsibility to the courts and the

clients and the parties, I want to tell you my honest judgment is that is a good compromise.

(Mr. Oates): Soon after the receivership of Deep Rock in 1933 this Committee was organized as a Reorganization Committee. It was not organized as, and has never professed to be a Committee representing one class of interests opposed to another class of interests. Its sole function has been to endeavor to readjust and to bring together the conflicting classes of creditors and stockholders to the end that a plan fair to all, in the opinion of the Committee, might some day be recommended to the court by the Committee. It was at once recognized that the crux of this situation was the validity of the claim of Standard. It was necessary for the Committee to make a study of that claim, which was done. The testimony shows that counsel for the Committee studied the law as well as we were able to do so. We studied the record. We have had men here in Tulsa reviewing the books, and have conferred with counsel for the Trustee, and it was not very long before we came to the conclusion that the Trustee, vigorously and ably, was attacking the validity of that claim, and that so far as the Committee was concerned we could count on the outcome of that claim in the litigation before Your Honor conducted by the Trustee. We, however, were entitled to our opinion, and it seems to me that the only real thing which our friends can accuse us of *it* disagreeing with them on complexed questions of law. In believing that Standard could justify a claim in a substantial amount we have good company, as illustrated by the statement which Judge Ramsey has just made, and the letter which he mailed to the security holders in the summer of 1935.

Now we thought that it was important that progress be made during the pendency of this litigation, so that upon a determination of the Standard claim we could proceed to an expeditious organization. So we appeared before this court in the summer of 1934, and with the approval of the court submitted an original plan of reorganization, under a deposit agreement, which provided that upon an adjudication of the Standard claim the Committee would report the terms of adjudication to the creditors, and that they would be given an opportunity to withdraw without expense in the light of that adjudication. Reorganization Committees, Protective Committees, and reorganizations generally have been bitterly attacked before the Securities and Exchange Commission, and

other organizations, and governmental bodies, and Congressional Committees during the course of the past few years, and they have been attacked largely because in the past those who controlled those committees did not give to the security holders the right to act as a free agent. As Your Honor is fully aware, formerly deposits were made under a blind deposit agreement as fixed by the Committee.

Now it was our intention and desire, and our record proves our right to assert, that these security holders of Deep Rock in their dealings with this Committee have been free agents always, and have been fully informed of every bit of information available to the Committee.

Mr. Milsten challenged me with considerable vigor this morning to show where it was suggested to the security holders in the last amended plan of reorganization the connections of the Committee members. On page 12 of the letter we said that it was important the security holders consider our letter of August 21st, which contained information, full information regarding the personnel of the Committee. We called their attention to that earlier letter, and then went on to say that the only change had been Mr. Holden, formerly connected with Janney & Company, had severed his relations with them, and had become a special partner in Yarnall & Company, Philadelphia.

So when after a considerable period of time had elapsed, and it was late in the winter of 1934 and the litigation between the Trustee and Standard looked as if it would be endless, it was vigorous, it had been pending for many many months, this Reorganization Committee sought to see if there was any basis upon which the parties could recommend a compromise to this court, to the end that upon the approval by the court of the compromise we could move forward in the reorganization, and to the end that the terms of the compromise as approved by the court could be reported to the security holders, and it was then that Mr. Shinners first, as mediator, messenger, or whatever capacity you want to describe him, worked to try to bring these parties together to submit a report to the court, and that was done in the early spring of 1935, and it was pending before the Master and the court until September, 1935, at which time it was overruled.

The Committee is entirely satisfied, in view of the statement made by counsel for the Trustee, to speak for eighty per cent

of the note holders and sixty per cent of the preferred stockholders in recommending to the court the acceptance of the compromise. I would not have taken the responsibility of telling this court that we thought that compromise should have been approved if counsel for the Trustee was not willing to make the recommendations made. He has made it. We are confident that we have a right to rely on it, and speaking for these people, solicit the court to approve it.

Now if that compromise is approved, I don't believe that there can be any question but what the plan is fair on the record before Your Honor. There has been no evidence in any way approximating a serious criticism of the appraisal of Mr. Greis. He finds the properties to be worth Sixteen Million, Eight Hundred and Fifty Thousand Dollars approximately.

The Court: Now let's see. I want to ask you right there. Of course it don't make any difference if 99 per cent of the interested parties come in here and tell the court as against one per cent—

Mr. Oates: I understand.

The Court: The court has got to examine the fairness of the plan.

The Court: There is no doubt you have a low appraisement. It is a very conservative appraisement, because your testimony established you didn't pay any attention to the earning power.

Mr. Oates: Mr. Greis testified he gave consideration to the earnings of the company as a going concern when he came to that conclusion.

The Court: Your theory, your answer is that you have got more debts than you have got property to pay, therefore you want a moratorium.

Mr. Oates: It means that the two parties in interest must come to some fair agreement as to how to handle the situation, subject to the approval of the court.

The Court: Now I understand what you mean. Now, of course, the preferred stockholders are the real serious objectors here, because the note holders are all practically satisfied. But these preferred stockholders, you have got so much property here to divide up under Section 77-B, or above the

undisputed claim of the note holders. Then comes the disputed claim of the Standard and the preferred stockholders. Now the preferred stockholders say in the issuance of this stock that they got a value according to the remaining assets above the note holders of around Six Million Dollars, basing the value of the stock on these remaining assets. That you have taken a big advantage in the distribution of the stock according to its value, based upon the appraised value of the assets, for your disputed claim as against their undisputed claim of preferred stock, as they say they should practically be given, under the rules of law and equity, the same standing as you are, while yours is for money advanced, but you know the Standard, who dominated this company, sold this stock on representations that were entirely false and untrue, and they make a very ugly picture for you on that lot. Now they say you take a big advantage in proportion of the stock, on the remaining assets. What do you say about that?

Mr. Oates: If Standard, because of the operation of the instrumentality rule—

The Court: Let's forget about that rule. They say you dominated, and put out these prospectus, and caused these people to invest in this preferred stock. Now you come along in the reorganization and take stock for your disputed claim that they desire to challenge on authority of the instrumentality rule, but they say in the dividing of the stock you got yours for each dollar, you are to have a lot more stock than you give them for their preferred stock.

Mr. Oates: It seems to me perfectly clear that the whole thing goes back to the question of whether or not Standard is or is not a creditor. If Standard is a creditor and the compromise is approved in accordance with its terms, Standard is entitled to distribution in a rank higher than the preferred stockholders.

The Court: Well, I agree that ordinarily that would be the correct rule, but the thing that makes it burdensome here is the fact that they charge you caused the public to invest in this preferred stock.

Mr. Oates: Well, if H. M. Byllesby & Company sold them preferred stock as a result of false representations, I think these preferred stockholders ought to sue H. M. Byllesby & Company, and not come down here and seek to prevent a reorganization of Deep Rock to the prejudice of everybody.

H. M. Byllesby & Company will stand a suit on that. They charge me in every sort of capacity. I don't represent H. M. Byllesby & Company; I represent this Reorganization Committee, and come to this court and say if the Standard has got a claim this plan is fair, and we say that because of this, if Standard has got a claim it is a creditor, and if it is a creditor it is ahead of the preferred stock.

Your Honor made the computaton this morning if there is Four Million or Five Million of assets over and above the debt due the notes of Twelve Million Four Hundred Thousand, the Standard gets 73 per cent of that, or 380,000 shares, they will get far less on that computation of price per share than the amount for which the claim is compromised, taking the Ten Dollar figure which I explained, because the debt to the notes is not Eleven Million Two Hundred Thousand, it is Twelve Million Four Hundred Thousand, and taking Twelve Million Four Hundred Thousand from Sixteen Million Eight Hundred Thousand Dollars you have a difference of Four Million Four Hundred Thousand Dollars, and if you will take 73 per cent of that you will find it is less than Three Million Eight Hundred Thousand Dollars, which is far less than the Five Million Dollars for which the Standard claim is allowed.

The Court: My opinion about the matter is this; that this stock will have considerable value with the capital that this company has to work on if it is judiciously administered.

Mr. Oates: That is what we hope, sir.

The Court: I don't think they are getting something that is worthless. The thing that I haven't quite got through my mind, and it may be because of my inability to grasp the situation, is whether or not you are making an equitable division of this stock among the preferred stockholders on the one hand and the Standard in the settlement of their claim on the other. In other words, whether you ought to take less stock and they more. I believe under proper management they would have something worth something.

Mr. Oates: Well, one hundred thousand shares of this stock is going to be worth, we hope, money, and these people might speak about being squeezed out, they are not being squeezed out, they are being given two shares of common stock in the new company for every share of preferred they have. On that very point I would like to say this to Your Honor. There is no royal road to romance on this; there is

no economic formulae anybody can pull down out of the air. My father told me when I was six years old, and I have always believed it, he said, Jim, figures don't lie, but liars can figure. And you can compute this thing and prove it any way you want to, and we have to see whether it was in the range of justness and fairness, and this is the way I personally tested it, Your Honor. Well, consider what would happen to these preferred stockholders; what are the risks which they run in the litigation of this Standard claim, and it is what is allocated to them is fair. If the Standard claim was litigated through the courts and denied in its entirety, the interest on the notes would be accumulative, and it would not surprise me if the note holders might not then take a position, being the only creditors of the company, that they would like this property liquidated and be paid out in full, and would not care to agree upon any plan. If the Standard claim was sustained for Six Million Dollars as a maximum, as suggested by Judge Ramsey, on a parity with these notes, there is obviously nothing there for the preferred stockholders, and under the language of Section 77-B, and under the decision of Chief Justice Hughes in a case just decided, there is not any necessity under the law to give them anything. Now we come in and we say, this Committee says, although it is true that strictly if the Standard claim is compromised for Five Million Dollars, and the notes are worth, represent a debt of Twelve Million Four Hundred Thousand Dollars, that there is therefore a debt of Seventeen Million Four Hundred Thousand Dollars, with a property value of about the same, or a little less, and although strictly you are not entitled to anything, we are giving you one-fifth of the equity, subject to only a Ten Million Dollar debt, although the actual debt in front of you is Twelve Million Four Hundred Thousand on the notes: One Million Five Hundred Thousand on the Standard claim on a parity with the notes, and Three Million Five Hundred Thousand on the Standard claim subordinated to the notes, but ahead of you.

Now it seems to me that under those circumstances the allocation of twenty per cent of the common stock to the preferred stockholders, where if he wins he will lose, and if he loses he is sunk, and where under the present circumstances if the Standard claim compromise is approved he has got something he is not strictly entitled to, meets every test of fairness.

Now it is easy to take a lead pencil and piece of paper and write down figures, but every single mathematician has overlooked this significant and in fact controlling circumstance. It was what Judge Ramsey referred to Saturday. The important element of this compromise is not the figure of Five Million, of which One Million Five Hundred Thousand is on a parity with the notes, the important feature of the compromise is that Standard has attached to it its willingness to accept this plan, which plan subordinates everything that the Standard gets to the note holders, and puts them in a percentage with 73 per cent to 20 per cent on a parity with the preferred stockholders.

The Court: I understand it.

Mr. Oates: Now you cannot appraise that in dollars and cents. There would not be any method in law or justness r fairness by which Standard could be asked to take a parity position and subordinate themselves to the preferred stockholders.

And so we say, if the court please, we come to the end of four years. Human products are never free from criticism. We do know one thing, that if the Standard compromise is approved, the plan is fair, and we say that having the mandate from the people for whom we speak. Those people have been fully advised by my friend, among others, as to this Standard claim.

The Court: I don't think they lack any information.

Mr. Oates: And I would say this, Your Honor, that as Judge Ramsey put it, to gamble Six or Seven Million as to what the Circuit Court of Appeals is going to do with the instrumentality rule, and the Supreme Court, when the result will not only be fatal to the preferred stockholders, but seriously prejudicial, in my opinion, to the note holders if a substantial amount is put on a parity with the debt, seems to me to be an improvident thing from the standpoint of business.

We earnestly submit that the compromise of the Standard claim should be approved, and that the amended plan should be confirmed.

Now before sitting down I have to say this: This Committee, as Mr. Shinners has testified, has approved the amended plan filed November 9th. There will be certain modifications, consisting of changes and clarifications of the accounting pro-

vision, and the three modifications filed by Mr. Doerner's clients, the Pitcairn Company and the Philadelphia Investment Company. We believe the modication filed by the Pitcairn Company is fair, and we recommend to the court their adoption.

Consistent with our practice in the past, and because we believe that it is reasonable and fair to do so, we suggest to the court that if he determines to confirm this plan, subject to the right of the note holders and preferred stockholders who have deposited with this Committee, to withdraw, if they do not like the modifications, and we submit that necessarily such order of confirmation must also be subject to the acceptance of the plan as so further modified, by Standard with the approval of the Delaware court.

The Court: I understand that. Have you any further argument, Mr. Honigman?

Mr. Honigman: Yes, sir, Your Honor, very short. I want to say this, it is rather a strange circumstance about the danger to the preferred stockholders winning. Just think what we cannot afford to win if the Standard claim is disallowed in its entirety. This Twelve Million Four Hundred Thousand goes to the note holders. We will take the lower appraisal, Sixteen Million Eight Hundred Thousand the Trustee's final appraisal of net values above current liabilities. If that is so, and Mr. Greis said he only considered earnings from a general standpoint as a going company, he didn't consider the actual earnings, and Mr. Berend said specifically he didn't take into account earnings in figuring the values, he merely added up items A, B, C, D, and E.

There are Eight Million *Dollrs* in current assets. Is there going to be any difficulty in refinancing this company. This company operated on Four Hundred Thousand Dollars in cash when they went into receivership. Now they have got pretty near Five Million in cash. Now there is no danger for the preferred stockholders if the Standard claim is disallowed. Then they will get paid.

But, of course, take it the other way. Take it that Standard has a claim for Five Million, why should they stop the preferred stockholders from an opportunity of realizing on any possible equity that may exist. Supposing the property is worth Twenty Million Dollars, based on earnings. The oil business is speculative. Who is entitled to the chance

for that speculation? Standard on a fixed claim, assume they have a fixed claim for Five million dollars, or the stockholders. These stockholders are entitled to an opportunity to rehabilitate their investment. In order to rehabilitate their investment the value of the Deep Rock assets must multiply by five, in so far as that equity above notes are concerned. When that takes place Standard gets Twenty-Five Million Dollars for their Five Million claim, and at that point the preferred stockholders have come out even by accumulated dividends to dates.

The Court: I will tell you what I am going to do about it. I am going to take it under advisement for about five days. I am going to approve some kind of plan. I may offer some vital amendments to it, but I have got to get this thing reorganized, and on its feet. You are not going to be squeezed out; there is not going to be any squeezing. There have got to be proper directors here, and things of that kind; reasonable salaries, and other things will all be threshed out, and that is all you can ask.

Mr. Honigman: What about the percentage of the equities?

The Court: I say that is a point I want to study, whether I shall interfere on that item.

Mr. Honigman: And if Your Honor please, at the same time will you pass on the compromise of the Standard claim?

The Court: I am going to approve the compromise, but I am going to do it on conditions.

And the only other thing I want to figure out is whether you have given these preferred stockholders the percentage of stock you ought to give them. That is all. I will work that out in my own way. I think I can work it out to satisfy all of you.

Hearing Before Honorable Franklin E. Kennamer, District Judge, on December 22, 1936.

Mr. Oates stated that the Reorganization Committee had written acceptances of the Amended Plan from the holders of 79% of the notes and 62% of the Preferred stock and that Standard, the owner of 98% of the Common stock, had accepted in writing the Amended Plan.

The Court: The court has given much consideration to this amended plan of reorganization. Personally, in some respects, I have some doubt as to the wisdom of some of the provisions of the plan. This corporation has been under the jurisdiction of the court now a considerable length of time. It has accumulated a large amount of cash, possibly Four or Five Million Dollars. The interested parties composed of stockholders and creditors by more than the required percentage have indicated their approval of the plan, and filed acceptances thereof. I am of the opinion that the court should not stand in the way of the execution of the plan, but that the court should use every reasonable means to safeguard the future conduct of the company for the mutual benefit of stockholders and creditors. I am going to approve this amended plan of reorganization upon the following conditions:

That the court retain jurisdiction for five years, with power to extend the time, or shorten the time, as the circumstances justify; that the court during the time that it is under the jurisdiction of the court, that it retains jurisdiction, approve the Board of Directors selected to operate this company. The success of the company will depend largely upon the wisdom and integrity and ability of the Board of Directors. No corporation can prosper and be honestly administered that has not an honest and reputable and efficient Board of Directors. Such a Board is more competent to conduct a business enterprise of this kind than any court. But it is well for the court to use such supervisory power *than* will assure honesty and efficiency, and with these suggestions the plan will stand approved. Now you may prepare an order in accordance with the suggestions I have made.

Mr. Oates: Your Honor, please, we presume that in approving the plan, you mean the amended plan filed November 9th, with the additional modifications recommended at the confirmation hearing.

The Court: Oh, yes. Now I want to make this suggestion to counsel present representing conflicting and opposing interests. The court will be glad to have any suggestions from them on the matter of the personnel of the Board of Directors. The Board of Directors should be representative of the interests involved, such as the preferred stockholders and the noteholders.

Mr. Milsten: Your Honor please, I understand the order to

be that the plan as written is being approved, and no reallocation made of the amount of stock?

The Court: That is correct. The amended plan with the acceptance of the additional cash payment to the noteholders, and the suggestions of the court as to the retention of jurisdiction.

Mr. Milsten: Allow us an exception, if Your Honor please, on behalf of the Independent Committee for the protection of the preferred stockholders.

The Court: Now in the matter of the approval of salaries; all salaries for executive officers and managing officers, I have given that a great deal of thought, and I don't think it would require a resubmission of the plan. I want in the order that the Board of Directors fix the salaries, subject to the approval of the court where the salary exceeds the sum of $5,000.00. I don't think that *effects* the plan so far as the stockholders are concerned, but that the Board of Directors fix all salaries, except where the salary exceeds $5,000.00 it must have the approval of the court.

Mr. Oates: I notice Your Honor in stating the conditions which you wish to be presented in this order, which I will comply with, stated the court desired to retain jurisdiction for a period of five years, subject to change, either increasing it or diminishing it, as circumstances arise in the future.

The Court: I want to add to that; or until such portion of the indebtedness of the company has been paid as the court deems proper.

The Court: I include in that the right to extend the time or shorten it, but I want to include in that, until such portion of the note indebtedness has been paid as the court deems sufficient to justify relinquishing jurisdiction.

Mr. Oates: I will remind Your Honor that the amended plan filed November 9th provides the court shall retain jurisdiction until the new notes aggregating Ten Million Dollars have been reduced to Five Million Dollars.

The Court: Well, I may want them to pay them off. Retain it until you pay such portion as the court deems sufficient to justify relinquishing jurisdiction, and that might mean paying them off.

Mr. Oates: Your Honor please, at the conclusion of the con-

firmation hearing I stated if the court determined to approve this plan, with the further modifications, that it was the recommendations of the Committee that the plan as further modified be resubmitted, and that notce of the modifications be given, and a period of time be given to withdraw to those who have heretofore accepted.

Mr. Milsten: We desire to be in a position as not having waived any particular point.

Mr. Oates: It was never my intention to suggest otherwise.

The Court: You had better fix the time.

Mr. Oates: In view of the fact that these modifications are rather few in number, and rather simple of construction, and in view of the further fact we have been to the people in the major controversy between us, which has been determined by the court just now, I would submit that ten days would be ample time to withdraw, in the light of these modifications, and purely for the court's consideration I suggest a period of time expiring January 4th, somewhat in excess of ten days. We are in a position so we can mail changes to the security holders, notices of the modifications, copies of the modifications, and a form of notice which we are going to ask Your Honor to direct us to send.

Mr. Oates: I think it would be appropriate, subject to Your Honor's approval, for the order of confirmation to be conditioned upon the resubmission of the modifications, and prescribe a period of time, we will say the second Monday in January, within which those that have heretofore accepted the plan may withdraw their acceptances without expense. Then I would submit that Your Honor in that order direct the agents of the depositaries to file a sworn certificate with this court stating the number of preferred stockholders and noteholders remaining on deposit after the expiration of that period, and I suggest that that certificate be filed within five days after the expiration of the period. That then a period of five days after the filing of the certificate be given to all parties to contest the accuracy of the certificate, if they desire to do so. I don't imagine there will be any conflict on that, but I think that will be a fair provision. Then I further suggest that Your Honor prescribe a period expiring January 23rd within which all parties may file petitions seeking the allowance of fees and expenses, and that Your Honor continue the matter for fur-

ther hearing by notice to February 3rd, which is the first Tuesday in February for the purposes of all matters *germain* to the proceeding, and I would think on that hearing on February 3rd Your Honor could consider the petitions that had been filed for fees prior to January 23rd, and also permit the filing and the consideration for the court's approval of the documents that must be executed to consummate the plan, including the trust indenture securing the income debentures, the articles of incorporation of the new company, etc.

The Court: That will be all right.

Mr. Oates: And I would like to have it clear from the record, I believe Your Honor has quite fairly stated your view already, but I think if communications attacking the plan by those that have heretofore acted, should go out, that they, by the direction of the court, should be limited to a consideration of the additional modifications, because we have already had our public hearing, as you said, our public debate, on the features of the amended plan as such, and if the Taylor Committee desires to circularize the stockholders in a further attack, I believe Your Honor should limit the attack to the modifications made at the confirmation hearing, which are the only changes since the amended plan has gone out on November 9th, and which they have already attacked. You follow me, Your Honor?

The Court: Yes, I follow you.

Mr. Milsten: Your Honor please, I don't believe any limitations should be placed upon the activities of the Committee with reference to any of the merits on contracting stockholders.

The Court: Except I will place this limitation: I don't want you to be writing out and telling them what the court said. If they want to know what the court said, if they come here I will tell them. I don't want you quoting the court as saying this or that. I don't think that is fair to the court, or the parties. I won't attempt to limit you on what you say as to the merits or demerits, as long as you are not scurrilous or contemptous.

Mr. Milsten: Now one other thing, Your Honor please. For the purpose of the record I have been instructed by the Committee, through counsel in this matter, that in the event of an adverse ruling by Your Honor, to give notice of intentions to appeal. Now for the purposes of the record, may the record show that this is only an interlocutory order. The final order will

not be made, I take it, under the provisions of 77b until the plan is finally approved.

The Court: Won't be until the plan is finally approved, and they have indicated they have no objections to the suggested amendments.

Mr. Milsten: So the court has indicated what is in the court's mind at this time, and this is not the final order.

Mr. Oates: The order is subject—

The Court: I think what he is talking about, if there is any final order approving the plan, his time of appeal begins to run when that order is reduced to writing and filed.

Mr. Milsten: In other words, under the provisions of 77b, I think, as counsel has indicated, it will be necessary to resubmit the plan, as no final order will be made until after that is done.

The Court: He really resubmits to the noteholders and stockholders his suggested amendments, and that is all that is submitted to them, by reason of that they want to withdraw after they have considered these amendments. If they don't, then a final order will be entered approving the plan.

Mr. Milsten: So that this order here is not a final order, but in the event the other acceptances come in, or they are withdrawn,—

The Court: Well, it is final as far as the court is concerned.

Mr. Ramsey: This is purely interlocutory, no doubt about that.

Mr. Oates: I think I ought to call to Your Honor's attention the further fact, that is because the plan has been amended, in view of the fact that the Delaware court approves Standard Gas & Electric Company's acceptance of the plan filed November 9th, it will be necessary for Standard to submit to the Delaware court the further modifications, and procure the approval of that court to its acceptance of the plan as further modified.

Hearing on February 3, 1937, Before Honorable Franklin E. Kennamer, District Judge.

Mr. Gibson: If Your Honor please, at this time, representing Standard, I desire to file an acceptance by that Company of the amended plan of reorganization as modified by the or-

ders of recent date, together with a resolution of its Board of Directors authorizing the acceptance, and a certificate of the decree of the Federal Court in Delaware directing the Standard in bankruptcy to accept. I also have in my possession, Your Honor please, and tender to the Trustee, subject to the order of approval which may be entered today, a deed conveying the so-called Refining Company real estate from R. J. *Graff*, Trustee, in whose name it was held, to Henry N. Greis, as Trustee, and also all of the certificates of capital stock of the Refining Company, which we are ready to deliver to the Trustee whenever the final order may be entered.

Mr. Oates. Your Honor please, on behalf of the Reorganization Committee, I would like at this time to file the affidavit of R. Miles Warner, the Secretary of the Committee, which shows compliance by the Committee with the terms of the court's order of December 22, 1936, in reference to the distribution, in mailing of the publication of notice of that order.

The Court: Also it may be filed.

Mr. Oates: And I would also like to file the original affidavit of the representative of the Journal of Commerce of the City of New York showing the publication on December 24th and December 26th, 1936, of the form of notice directed by the court's order of December 22, 1936.

The Court: All right, it may be filed.

Mr. Oates: And the affidavit of the representative of the Journal of Commerce of the City of Chicago showing the publication on December 24th and December 28th of the notice directed to be published by the order of December 22nd.

The Court: Let them be filed.

Mr. Oates: There have been filed, Your Honor, pursuant to the order of December 22, 1936, certificates by the First National Bank of Chicago, depositary, and the Chase Bank of the City of New York, sub-depositary. They were filed on January 15, 1937, which was one day before January 16th, stipulated by the Judge as the dead line. These certificates show the deposit as of the close of business January 11, 1937, the date fixed by the court, in excess of Sixty-six and two-thirds per cent of the notes, and in excess of a majority of the preferred stock.

The Court: That is the date fixed for withdrawals?

Mr. Oates: Withdrawals, yes, sir.

The Court: All right.

Mr. Oates: Your Honor will remember that under the order of December 22nd and the court directed that parties who wished to contest the accuracy of the certificates filed before January 16th, should do so before January 21st. I am advised by the clerk's office that no contest or objections to the accuracy of the depositary certificates filed on January 15th have been filed. I should also like to introduce into the record, if counsel has no objection, telegrams which I asked the Chase Bank and the First National Bank of Chicago to send me at the close of business last night, so that Your Honor would have the last minute information in connection with deposits.

The Court: All right.

Mr. Oates: These telegrams, I will ask to have marked Reorganization Committee's Exhibits Nos. 10 and 11 of February 3, 1937, and they show on deposit last, Your Honor, $8,226,500.00 of the notes, slightly in excess of eighty-two per cent, and 29,144 shares of the preferred stock, less than sixty per cent, but substantially more than a majority.

Mr. Oates: Your Honor please, having established the compliance by the documentary evidence filed with the conditions stipulated in the court's order of December 22nd in reference to the acceptance of the plan, as modified by that order, on behalf of the Reorganization Committee I tender to the court a form of order for entry today finally confirming the plan. The order has been submitted to Mr. Honigman, and all counsel who are proponents of the plan, and it has met with the approval of the attorneys for the Trustee, who, Your Honor will remember, has been named as the Chief Executive officer of the company, in the order of December 22nd, and I tender this order to the court.

The Court: Now are there any objections to be presented?

Mr. Honigman: Yes, sir, Your Honor, I have subpoenaed Mr. Shinners, and I would like to examine him this morning.

John J. Shinners was called as a witness and on direct examination by Mr. Honigman, testified:

I am a director of the Utility and Industrial Corporation. Schultz Baking Company, Inter-State Bakeries Corporation, King's Highway Bridge Company, Cooper River Bridge, Inc. I am a director of all those corporations.

Q. (By Mr. Honigman) Are any of those corporations holders of securities of Deep Rock? A. Utility and Industrial Corporation may own some, Mr. Honigman, I don't know. I don't know if Utility and Industrial Corporation owns any or not. If it does, it is a negligible amount.

Q. How long have you been a director of the Utility and Industrial Corporation? A. About four or five months.

Q. What is the Utility and Industrial Corporation? A. It is a holding corporation, investment trust.

Q. Who are the managers of that investment trust? A. Its officers.

Q. Who are its officers? A. Mr. *Graff* is an officer, Mr. Briggs, Mr. E. K. McDonald, and Mr. W. G.—

Mr. Ramsey: There is nothing in these objections to the plan, or court's order, on the ground of fraud, or anything of that kind.

Mr. Honigman: We can argue that point, Your Honor.

A. And Mr. W. G. *Pole.*

Q. (By Mr. Honigman) Prior to his death Mr. O'Brien was the president of this company, was he not? A. I believe so.

Q. And Mr. O'Brien and Mr. *Graff* have been your superior officers in the H. M. Byllesby & Company? A. That is right. I don't believe Mr. Briggs was an officer of Byllesby & Company and Deep Rock.

Q. Do you know whether or not Utility and Industrial Corporation has a management contract with H. M. Byllesby & Company? A. I believe they have.

Q. So that H. M. Byllesby & Company manages Utility and Industrial Corporation? A. No, its officers manage it. I believe at the time of the financing the officers of H. M. Byllesby & Company managed the trust without charge.

Q. And don't you think there was any consideration for

that agreement? A. H. M. Byllesby & Company did the underwriting, and I don't recall the underwriting contract.

Q. Supposing I recall, do you know the H. M. Byllesby & Company has a management contract in consideration for an option of a million shares of common stock of the Utility and Industrial Corporation? A. That is a fact, yes, sir.

Q. And is it a fact that all of the officers of the Utility and Industrial Corporation are officers and employees of the H. M. Byllesby & Company? A. No, sir.

Q. Which officers are not? A. E. K. McDonald.

Q. Who else? A. He is the only active officers of the corporation that I know that is not identified with H. M. Byllesby & Company.

Q. Outside of E. K. McDonald then the others are all officers of H. M. Byllesby & Company? A. I believe they are, yes, sir.

Q. When did E. K. McDonald become an officer? A. I don't know.

Q. What office does he hold? A. I believe he is a vice-president.

Q. Is he a director? A. Yes, sir.

Q. When did he become a director? A. I don't know.

Q. Now how many shares has Utility and Industrial Corporation got, do you know? A. No, I don't.

Q. Isn't it a fact it is a very appreciable amount? A. Yes, sir, it is.

Q. Just a moment ago you said it wasn't a very appreciable amount? A. You asked me how many shares Utility and Industrial had. You said outstanding. Do you mean Deep Rock?

Q. Yes. A. I don't know how many it has.

Q. Would you know if it was a substantial amount, Mr. Shinners? A. I believe I would, yes, sir.

Q. Would you know, for instance, it was the largest holder of preferred stock of the Deep Rock? A. It might be.

Q. Isn't that an important factor here, who the largest holder of preferred stock of the Deep Rock is? A. I don't think so.

I don't think I ever looked at the stockholders' list in the course of my four years as Chairman of the Reorganization

Committee. I don't know whether the stock of the Utility and Industrial Corporation has been deposited with our Committee. The question of its deposit has never been discussed by me. I don't know whether Utility and Industrial Corporation shows on the list of stockholders depositing with us to be a depositor of its stock with our Committee.

Mr. Oates: We call Your Honor's attention to the fact the letters of transmittal were tendered here to the court for examination of counsel at the hearing in December, 1936.

Mr. Honigman: That is correct, Your Honor please, they were tendered in the form of two suit cases. We never got any list, none has been filed.

Q. (By Mr. Honigman) I show you Intervener's Exhibit I, which is a report of the Utility and Industrial Corporation for the year ended December 31, 1936, and ask you to look at that report and tell us how many shares of Deep Rock Oil Corporation the Utility and Industrial Corporation owns? A. 6,000 shares.

Q. Do you recognize this as a report that has been put out by the Utility and Industrial Corporation? A. Yes, sir, I do.

Mr. Honigman: I offer Intervener's Exhibit I in evidence, Your Honor please.

The Court: I don't see the materiality.

Mr. Honigman: Offering it in support of the proposition.

The Court: He say they own 6,000 shares.

Mr. Honigman: And who are the directors of it?

The Court: Well, you may show that.

Mr. Honigman: That is all I am attempting to show from it, Your Honor please.

The Court: I don't understand just what your point is yet.

Mr. Honigman: Your Honor—

The Court: Let's admit they own it. I assume they do. There is no law against them owning it.

Mr. Honigman: I didn't say there was any law against it. H. M. Byllesby & Company are on both sides of the fence.

The Court: What two sides are they on?

Mr. Honigman: On the Standard side, and on the other side presumably as a bona fide voter of preferred stock, and I say they are not a bona fide owner of preferred stock.

The Court: Why not?

Mr. Honigman: You may own some shares, Your Honor, but if you have some ulterior motive your vote cannot be used to constitute a majority, like a man on a directorship voting himself a salary.

The Court: No, that is not the same thing. If they own these 6,000 shares, and bought it and paid for it, they have a right to deposit it in support of the plan with the Committee, just the same as your clients have the right to withhold theirs.

Mr. Honigman: It has a very important bearing, Your Honor please, on the good faith of the acceptance, which 77b provides for.

The Court: Are you challenging their good faith?

Mr. Honigman: That is correct.

The Court: What motive is bad about it?

Mr. Honigman: The motive back of it is to give to Standard 73 per cent of this company for nothing. That is what the motive back of it is, Your Honor please; that is the motive, and a mighty good motive from their standpoint.

The Court: In other words, your theory of the thing is that they have voted the 6,000 shares of stock they have in order to cheat themselves out of the value of their stock.

Mr. Honigman: In order to get more; in order to get 73 per cent of the common.

The Court: I understood you said they were cheating the preferred stockholders?

Mr. Honigman: That is correct, Your Honor please. When you put something in one pocket, you have got as much as if you had it in the other pocket.

The Court: All right, go ahead.

(The Witness): I do not know anybody who has any more shares of preferred stock than the Utility and Industrial Corporation. I don't know whether the 989 shares of the Standard Gas & Electric Company is on deposit with our Com-

mittee; it probably is. This 6,000 shares is probably on deposit also.

I don't know who the next largest holder of preferred stock of the Deep Rock is; the 3,000 shares owned by the Pitcairns may be, and may not be. I believe the Pitcairns are a large holder of notes in this situation, and the Pitcairns came in with suggested amendments which our Committee agreed to. At the last hearing Mr. Honigman told me that it was at that time that the Pitcairns withdrew from his Committee. Our Committee has 29,144 shares on deposit. If the 6,000 shares of the Utility and Industrial Company and approximately the one thousand shares of the Standard were withdrawn, or not counted, out of our list of 29,000, we would not have a majority of the stock on deposit.

I have talked to Mr. Webster, of the Independent Committee, in the last few weeks.

Q. (By Mr. Honigman) What did Mr. Webster tell you? A. Well, in detail, Mr. Webster told me in substance he was a member of the Committee for which Mr. Honigman is counsel, at the request of Mr. Taylor, with whom he was associated for about eleven years; that he had talked with Mr. Taylor and Mr. Kennedy and with you for several hours, and that he thought there was some merit in your contentions. He also told me that you took this on a contingent basis. I didn't ask him the question either. He told me that, and Mr. Taylor told me that.

He told me of a matter that was embarrassing him personally. He told me over the telephone that certain of his partners told him that he had caused them considerable embarrassment because of the result of his being on a Committee representing stockholders of the Deep Rock; that they were not given a participation in the proposed issue of Northern States Power.

Q. And who did he say raised that objection? A. Why I believe it was a group of the underwriters.

Q. Do you know who the group was? A. Yes, I know who the man was.

Q. Who was it? A. The objection was raised because no one approved the name that was submitted.

Q. Now who was the group? A. The Bank of America. Blair heads the financing.

Q. And is H. M. Byllesby & Company in that group? A. Yes, sir, we appear to be; six or seven in the group.

Q. So Mr. Webster told you his firm was kept out of this underwriting because of his membership on this Committee? A. That is what he thinks.

Q. That is what he has been told? A. I believe someone give him that as an excuse. I told Mr. Webster I was sorry, but that wasn't the reason.

Q. And you know Mr. Webster in a few days thereafter resigned from our Committee? A. Yes, sir, he told me he had resigned, and he also recommended to Mr. Taylor he withdraw from the Committee.

Q. Has he been put into this underwriting syndicate since? A. I don't know; we are not the managers of it. You will have to ask the Bank of America, Blair.

Q. Bank of America, Blair, is an associate of Byllesby & Company in many underwritings, is it not? A. Many underwritings in gas subsidiaries, yes sir.

Q. Are there any other affiliates of H. M. Byllesby & Company, or Standard Gas & Electric Company, who has deposited their preferred stock with your Committee? A. None that I know of.

Q. On page 145 of the transcript of the testimony in connection with the hearing of December 12th you were asked this question, and this answer was given:

> "Q. Do you know whether or not the directors of Standard, and, or Byllesby & Company personally own or control any notes or preferred stock of Deep Rock? A. No. You are talking about officers and directors of Byllesby, or Standard?
>
> "Q. Yes. A. They may have ten, twenty or thirty shares of Deep Rock, or Two or Three Thousand Dollars of bonds."

Don't you think it was important at that time for you to tell us if the directors of Byllesby & Company had control of a block of 6000 shares? A. No.

John J. Shinners, on cross-examination by Mr. Oates, testified:

I know why Mr. Webster's firm was denied, or not granted participation in this underwriting. A group of about a half

dozen representatives of the underwriters were seated around a table, and the name Cassatt, the firm of which Mr. Webster is a partner, was mentioned, and no member of the underwriting group was willing to sponsor the name, and Mr. Webster was so informed. I absolutely know that his firm was not denied participation because of his membership on the Taylor Committee. There is no connection between Utility and Industrial Company and Standard, outside of the fact that Utility and Industrial Corporation owns shares of Standard, and owns shares of certain subsidiaries of Standard. It does not own a controlling interest in Standard nor any substantial portion of shares.

Henry N. Greis was called as a witness, and on Direct Examination by Mr. Honigman, testified:

There has been a price increase in oil since the last time I testified here; there has been an increase of ten to twelve cents per barrel, according to grades. It will *effect* our earnings in January of 1937 for the reason we had approximately 500,000 barrels of crude oil in storage, and of course would *effect* the worth of the crude, which would be $50,000.00. However, on the other hand, with the additional increase in crude to the refinery, running at about 10,000 barrels a day, with no additional increase in the price of refined products as yet, may cause the refinery to lose $30,000.00 approximately, a thousand dollars a day. I mean, not lose, but a difference in the earnings, for the reason crude oil has been advanced and by-products have not been advanced. Considering just the producing department, the value of the producing department increased by virtue of the increase in the price of oil.

Q. And about how much of an increase in the value of the producing department would you say is attributable to the rise in oil? A. About forty-five or forty-six hundred barrels, which would be ten cents a barrel. Most of our crude oil is good crude; about $450.00 a day.

A ten cent increase is practically all profit. Our lifting cost, the expense generally remains the same. The increase is largely profit, with the exception of gross production taxes, and other taxes. Our profit per barrel in the producing department at a dollar per barrel was somewhere between forty-five to fifty cents. And at $1.10 to $1.12 per barrel, there will be

about a twenty per cent increase in the profits then of the producing department, fifteen, perhaps.

Q. Why shouldn't it be twenty, if you take the— A. Gross production tax, which comes out.

Q. How much is that? A. Five cents per barrel.

Q. And that five cents per barrel was payable at a dollar per barrel too, was it not? A. Yes.

Q. So the ten cents is over and above that, is it not? A. That is correct.

Q. So that would be an increase, would it not, of about twenty per cent in the net earnings?

The Court: Well, that would be a matter of calculation.

Q. How much of an increase in value would you attribute to the producing department by virtue of this increased earnings? A. It might add ten per cent; maybe a little more.

Q. Maybe a little more? A. Yes.

Q. So a twenty per cent increase in net earnings would in your opinion create an increased value of about ten per cent, is that right? A. Yes.

Mr. Semple is employed by me, in charge of the legal department. That is a full time job. I do not pay him anything for his services in representing the debtor corporation.

Henry N. Greis, on Cross Examination by Mr. Oates, testified:

The present price of crude oil, the advance of ten or twelve cents a barrel, there is no assurance that is always going to last; it might go down to a dollar again. As a matter of fact on January 4th the Continental raised it seventeen cents, and on January 28th reduced it five. The cold weather doesn't affect the price, but it reduces your production for the reason weather conditions do not permit certain operations on properties. Your production through bad and cold weather is less than when we have fair, good weather. If your production is less that might be reflected in the temporary increase in price. There is an agitation for an increase of taxes in the next session of the State Legislature.

Mr. Honigman: Your Honor please, we had filed objections. Mr. Milsten said these objections were filed on December 22nd. Additional objections filed since Your Honor's order of December 22nd.

The Court: All right.

Mr. Honigman: Filed January 21, 1937. Now in addition to that we are filing today supplemental objections based upon the testimony that was just brought out, on newly discovered facts in connection with their ownership or control of this large block of stock of Utility and Industrial Corporation.

Mr. Oates: Your Honor, I object to the filing of these supplemental objections as in contravention of Your Honor's order of December 22nd requiring filing of objections with the clerk before the 3rd of January, 1937.

Mr. Honigman: This information came to us since the last date, and under those circumstances I think we are entitled to file them.

The Court: I will let you file them.

Mr. Honigman: We also have the acknowledgment of additional Powers of Attorney deposited with our Committee showing a total of 10,295 Powers of Attorney to our Committee, which is over twenty per cent, Your Honor please. The par amount is over a million dollars of stock.

Mr. Honigman: Your Honor please, I would like, if you care to hear us on the point, that their approval is not by a majority of the preferred stockholders.

The Court: You mean hear argument on it?

Mr. Honigman: Yes, sir.

The Court: No. I don't need argument. I want proof. I hold the proof has been sufficient on that. I don't care to go into that further.

Mr. Oates: I have a brief further statement to make in reference to another petition. The debtor, the Deep Rock, and Deep Rock Oil Company, which is a new corporation organized yesterday under the laws of the State of Delaware, file their joint petition this morning with the court, attached to which are Exhibits A to G, inclusive. These exhibits consist of the certificate of incorporation of the new company, the form of income debentures, the form of indenture to secure the income debentures provided by the plan, forms of conveyances from Deep Rock, debtor, and Mr. Greis, to the new company, form of bill of sale and assignment of the personal property, and copy of the quit claim deed from Mr. *Graff* to

Mr. Greis, which Mr. Gibson tendered this morning, and copy of the form of common stock certificate.

The Court: Yes.

Mr. Oates: The joint petition asks Your Honor to enter an order identifying the petitioner, Deep Rock Oil Company, as the new company, and taking jurisdiction over that company, and approving for use in consummation the plan, if it is consummated, these various exhibits. Now I want to say this to the court. These exhibits have been submitted to all counsel and approved by all counsel who want the plan confirmed.

The Court: What are your objections to the articles of incorporation?

Mr. Honigman: One objection was, and the one I gave you, that there should be cumulative voting rights on the common stock. That means you can vote each share for as many directors as there are to be elected. It means the minority gets a chance for some representation on the Board. The way they have got it, you only get one vote for your total directors, and you take that one vote, and the result is, if there are five directors, the majority would elect all five, and if you got cumulative voting the majority can elect four directors and the minority one director. Just as a matter of common fairness.

The Court: Tell me your side of it.

Mr. Oates: Your Honor please, I think Judge Ramsey will agree with me, this cumulative voting is a rare situation that is adopted, in my experience, most infrequently. These articles of incorporation follow the form of the articles of oil companies organized under the laws of Delaware and qualified to do business in Oklahoma.

The Court: Have you studied these articles of incorporation, Mr. deMeules?

Mr. deMeules: Yes, sir, I have gone very carefully over every instrument. The plan for electing directors as provided in this new charter, I would say, is the plan adopted in ninety per cent of the corporations existing today. I don't believe the cumulative provisions is in ten per cent of the charters existing today.

The Court: Yes, that is all right. Now what did you find out about these articles of incorporation?

Mr. Ramsey: As I said this morning, Mr. Oates submitted to me a copy of a Delaware charter and I looked it over and made certain suggestions in the margin to comply with the laws of Oklahoma, and I find from an examination of this he has recopied the articles with the omissions that I suggested should be omitted. So outside of the question Mr. Honigman raised about minority representation, this charter is all right.

Mr. Honigman: May I suggest with reference to that order, if Your Honor please, that the order adds nothing to anybody's rights at the present time, because Your Honor approves the plan, and if that approval remains, is not reversed on appeal, then they can come in at any time with this order approving the instruments. If Your Honor enters the order approving the instruments at the present time, it becomes a final order, and in order to protect our rights on the appeal we will have to practically include that order in the appeal. And it will only confuse the issues on appeal, because it means all these instruments they are submitting for approval, because they can come in at the end of thirty days, if no appeal is taken, and have it signed then. So why not, as a matter of common sense and keeping a clear issue on appeal, leave this in abeyance at the present time.

The Court: I believe I will leave it in abeyance until I find out whether you are going ahead and perfect your appeal.

Mr. Honigman: That is correct, Your Honor.

Mr. Oates: Just this consideration, if there is going to be an appeal, we would rather have an appeal covering everything and not have a subsequent appeal on these documents. If this appeal is perfected and the plan is sustained, then we come back and Your Honor enters an order approving documents. We do not want to have an appeal from that order then. The purpose of submitting it this morning so they would be a part of the record, and enable the parties, if the Circuit Court of Appeals confirms the plan, we will be in a position to go ahead.

The Court: I will tell you what I will do, Mr. Honigman, you submit me a little memorandum as to your reasons why these articles ought to be amended, if the plan is sustained. I will give that very careful consideration, and if you convince me you are right I will order it amended.

Mr. Honigman: Let me make this suggestion. In the very

language of the order, page 2, paragraph 3, near the middle of it, that part you just inserted, "to consummate immediately after the expiration of Thirty days from this date." Why not put in, "provided no appeal has been taken" at that point.

Mr. Oates: I will be glad to put that in.

The Court: You may interline that.

Mr. Oates: Your Honor please, for the purpose of the record in connection with that order, I want to call Your Honor's attention to an omission that you made at the last hearing, and have the record show this statement. I will just read it. It will take me only a minute. I want the record to be clear on it. The court will remember that during the hearing for confirmation of the amended plan, which began on December 12, 1936, the Reorganization Committee suggested various modifications in the accounting procedure of the Plan, and recommended that the Amended Plan as filed November 9, 1936, be changed to permit the declaration of stock dividends. The Chairman of the Committee, Mr. Shinners, testified in explanation of this recommendation that it was suggested for the purpose of enabling the company to declare dividends payable in stock with the thought that such a right would possibly avoid a tax under the new capital stock Act on indistributed net earnings. It was recognized at that time that these changes did not materially alter the Plan and were not adverse to any class of creditors or stockholders. This is so because the holders of the new debentures can not be effected by the declaration of stock dividends, and the present preferred stockholders, who will become common stockholders of the new company, can not be effected because they share pro rata with other stockholders in any such stock dividend. Since the entry of the order conditionally approving the plan on December 22, 1936, we have discovered that in the definition of earned surplus there still remain restrictions on the right of the new company to declare stock dividends out of earned surplus. This situation has been remedied in the form of indenture submitted to the court today by adding to Section 10 of Article VI, a clause to the effect that the restrictions of said section shall not apply to the payment of dividends in capital stock of the company. Since this constitutes an immaterial change in the letter of the Amended Plan as modified, we merely desire to call it to the court's attention in connection with the petition seeking your approval of the indenture.

The Court: All right. Now is that all to come before the court?

Mr. Oates: Yes, sir.

The Court: There won't be anything more to do in this matter until he determines about his appeal.

Mr. Oates: That is correct.

The Court: If he takes it up, there will be nothing more to do about it until after that is determined.

Mr. Milsten: In other words, remains in status quo until the appeal is finally determined, or abandoned.

The Court: That is it.

[Summary of Exhibits.]

Trustee's Exhibit B.

(This exhibit is a list of the common stockholders of Deep Rock Oil Corporation as of May 3, 1934, which shows a total of 48 stockholders, holding a total of 642,448 shares of common stock, those holding more than 500 shares being as follows: W. R. Francisco, c/o Deep Rock Oil Corporation, 1182 shares; John L. Gray, c/o Deep Rock Oil Corporation, 7874 shares; R. K. Huey, 1492 shares; J. C. Kennedy, c/o H. M. Byllesby & Company, 859 shares; B. L. Majewski, c/o First National Bank of Chicago, 1492 shares; W. J. Maloney, c/o H. M. Byllesby & Company, 20,028 shares; W. E. Moody, c/o Deep Rock Oil Corporation, 1492; M. A. Morrison, c/o H. M. Byllesby & Company, 160,312 shares; L. B. Riddle, c/o Deep Rock Oil Corporation, 2966 shares; Deep Rock Oil Corporation, 42973 shares; Standard Gas & Electric Company, 399,132 shares.)

Trustee's Exhibit I B.

(This exhibit is the Certificate of Incorporation of Byllesby Engineering & Management Corporation, the total authorized capital stock being 100,000 shares of no-par stock, dated and filed June 21, 1919.)

(Trustees' Exhibit D is the annual report of the Standard Gas and Electric Company for the year ended December 31, 1923. Included is a letter to the stockholders of Standard, which states in part as follows:

"Notwithstanding the exceptional depression affecting the oil industry during the latter half of the year 1923, Shaffer Oil & Refining Company had met operating earnings for the year of $1,175,600.04, which was in excess of all its interest requirements. The company is a well equipped and complete unit, and is in a favorable position to share in the prosperity of the oil industry indicated by the general improvement which has already taken place."

Standard's consolidated balance sheet shows total assets of $64,381,428.19. A notation on the balance sheet shows that Standard was contingently liable as of that date, as guarantor of the principal and interest on the First Mortgage Convertible Six per cent Sinking Fund Gold Bonds of the Shaffer Oil & Refining Company, of which $8,295,200.50 par value were then outstanding; and on account of notes indorsed, guaranteed or discounted for various Subsidiary and affiliated companies in the amount of $1,362,000.00. The report further shows that Standard owned $750,000.00 of promissory notes, $1,196,900.00 of Preferred Stock and 158,000 shares of Common Stock of Shaffer Oil & Refining Company. The report includes tables with the heading "Operated Companies of Standard Gas and Electric Company", under which heading appears Shaffer Oil & Refining Company.)

(Trustees' Exhibit E is the annual report of Standard Gas and Electric Company for the year ending December 31, 1924. Included is a letter to the Stockholders of Standard, which under the heading of "Operated Companies" reads in part as follows:

"The general situation affecting the oil industry improved materially during 1924, and the results accomplished by Shaffer Oil & Refining Company were much better than in 1923. During the year 1924, the Shaffer Oil & Refining Company had net operating earnings of $2,324,685.64, which was an increase of more than ninety-seven per cent over the net operating earnings for the preceding year. The company has continued its production program with good results and has effected many operating economies. With the stable conditions in the oil industry generally, the earnings of Shaffer Oil & Refining Company should continue to increase."

The balance sheet of Standard shows total assets of $75,568,101.45, while its liabilities, exclusive of capital stock, is

$45,568,101.45. A notation on this balance sheet shows that Standard was contingently liable as of that date, as guarantor of the principal and interest of the First Mortgage convertible six per cent Sinking Fund Gold Bonds of the Shaffer Oil & Refining Company, of which $6,711,700.00 face value were then outstanding; and on account of the notes indorsed, guaranteed or discounted for its Subsidiary Companies in the amount of $8,025,000.00.

Under the heading of Standard Gas and Electric Company—Securities Owned, it appears that it held $750,000.00 of promissory notes, $1,196,900.00 of Preferred Stock and 158,000 shares of Common Stock of Shaffer Oil & Refining Company. Under the heading of Standard Gas and Electric Company—Operated Companies, appear several tables analyzing these companies, on which tables the Shaffer Oil & Refining Company appears.

The report also stated that "Colonel Byllesby, who was the founder and president of Standard Gas & Electric Company, died May 1, at the age of 65.")

(Trustees' Exhibit F is the annual report of Standard Gas and Electric Company for the year ended December 31, 1925. Included is a letter to the Stockholders of Standard, under the heading of "Operating Companies," which reads as follows:

"The opinion expressed in the last annual report relative to continued improvement in the earnings of Shaffer Oil & Refining Company was justified in the earnings for the year. During 1924 it will be recalled that this company increased its net operating earnings more than ninety-seven per cent over the preceding year. For 1925 the results were correspondingly good, the gross earnings being $15,297,880.23, or an increase of 66.42 per cent over 1924, while net operating earnings increased to $4,428,406.13, a gain of 90.49 per cent. It is believed that in 1926, the company will continue the steady progress achieved during the past two years."

Another part of this same letter reads:

"Your organization has pioneered and is now among the foremost utility organizations in the development, with the present idea of interconnection of properties, or socalled 'super' power, and the operated companies are well developed along these lines, advantageously located and grouped in nine-

teen states of the Nation, they are in position to benefit materially from continued prosperity of the country as a whole, as well as the local communities served."

The balance sheet of Standard shows total assets of $92,-015,210.23, while liabilities, excluding capital stock, were $34,-543,446.23. In this balance sheet appears a notation that Standard, as of that date, was contingently liable as guarantor of the principal and interest of the First Mortgage Convertible six per cent Sinking Fund Gold Bonds of the Shaffer Oil & Refining Company, of which $5,142,200.00 face value were then outstanding; and on account of notes indorsed, guaranteed or discounted, for its Subsidiaries in the amount of $3,200,000.00.

Under the heading of Standard Gas and Electric Company—Securities owned, it appears that it held $1,196,900.00 of Preferred Stock, and 158,000 shares of Common Stock of Shaffer Oil & Refining Company. In a list entitled "Standard Gas and Electric Company—Operated Companies" appears Shaffer Oil & Refining Company.)

(Trustees' Exhibit G is the annual report of Standard Gas and Electric Company for the year ended December 31, 1926. Included is a letter from Standard to its Stockholders, which under the heading of "Subsidiary and affiliated Companies" reads in part as follows:

"The Byllesby Engineering and Management Corporation continued to expand its activities in proportion to the growth of the operated companies, for which purpose its staff of experienced specialists rendered valuable service in engineering, operating and commercial development. All of the earnings of this corporation accrue to Standard Gas and Electric Company.

The Shaffer Oil & Refining Company again increased its earnings for 1926. Gross earnings advanced 43.23 per cent, and net earnings before retirement reserve and depletion, 36.52 per cent, compared with 1925. As a result that company resumed the payment of regular dividends on its seven per cent Preferred Stock, paid the accumulated Preferred Dividends, amounting to 19¼ per cent, and declared an initial cash dividend of $7.00 a share on its Common Stock, 93.79 per cent of which is owned by Standard Gas and Electric Company."

The balance sheet of Standard showed total assets of $155,-

820,111.72, and total liabilities, excluding capital stock, of $59,615,987.72. A notation on this balance sheet shows that Standard was contingently liable as of that date, as guarantor of the principal and interest of the First Mortgage Convertible six per cent Sinking Fund Gold Bonds of the Shaffer Oil & Refining Company, of which $3,524,100.00 face value were then outstanding; and on account of notes indorsed, guaranteed or discounted for its Subsidiaries in the amount of $2,300,000.00.

Included also is a statement headed "Standard Gas and Electric Company and Subsidiary and affiliated Companies, Consolidated Balance Sheet, December 31, 1926", which shows total assets of $973,859,382.97, and liabilities, excluding capital stock, of $634,780,744.65.

Under the heading of Standard Gas and Electric Company—Securities Owned, it appears that it held $4,250,000.00 of Bonds, $9,196,900.00 of Prefered Stock, 118,000 shares of common Stock, and 40,000 shares of Class "A" Common Stock of the Shaffer Oil & Refining Company.

Under the heading of Standard Gas and Electric Company —Subsidiary and affiliated Companies, appears a list of companies in which Shaffer Oil & Refining Company is included.

Under the heading of Standard Gas and Electric Company and Subsidiary and affiliated Companies—Consolidated Earnings Statement, appears an earnings sheet in which, among other companies, Shaffer Oil & Refining Company is included. The following totals appear in this statement: Gross earnings, public utility companies, $144,542,676.18, Shaffer Oil & Refining Company, $21,910,697.88; operating expenses, public utility companies, $83,600,428.83, Shaffer Oil & Refining Company, $15,865,122.71; net earnings, public utility companies, $60,942,247.35 Shaffer Oil & Refining Company, $6,045,575.17.

Under the heading of Subsidiary and affiliated Companies of Standard Gas and Electric Company, comparative statement of gross earnings, is a table showing gross earnings for the years 1922 through 1926, inclusive, of all of Standard's Subsidiaries, including Shaffer Oil & Refining Company. The following information is given: Gross earnings, public utility companies, 1922, $113,891,532.39, Shaffer Oil & Refining Company, $8,163,463.92; 1923, public utility companies, $123,494,945.67, Shaffer Oil & Refining Company, $7,677,313.20; 1924, public utility companies, $128,450,193.08, Shaffer Oil & Refin-

ing Company, $10,570,279.38; 1925, public utility companies, $136,361,576.47, Shaffer Oil & Refining Company, $15,297,-880.23; 1926, public utility companies, $144,542,676.18, Shaffer Oil & Refining Company, $21,910,697.88. On the following page is a table headed, Subsidiary and affiliated Companies of Standard Gas and Electric Company—Comparative Statement of Net Earnings. The table is identical with the one just discussed, except that it covers net earnings and not gross. The following information is given: Net earnings, 1922, public utility companies, $42,780,115.89, Shaffer Oil & Refining Company, $2,005,047.89; 1923, public utility companies, $46,729,205.29, Shaffer Oil & Refining Company, $1,-175,900.04; 1924, public utility companies, $49,470,240.60, Shaffer Oil & Refining Company, $2,438,640.56; 1925, public utility companies, $56,337,377.48, Shaffer Oil & Refining Company, $4,428,406.13; 1926, public utility companies, $60,942,-247.35, Shaffer Oil & Refining Company, $6,045,575.17.

Under the heading of Subsidiaries and affiliated Companies of Standard Gas and Electric Company—Capitalization Outstanding, is a table showing Standard's and the public's interests in the funded debt, Preferred Stocks and Common Stocks of the various Standard Subsidiaries, included in which table is Shaffer Oil & Refining Company. Included also is a condensed balance sheet of Shaffer Oil & Refining Company as of December 31, 1926, a copy of which appears in this record as "Trustee's Exhibit G, part containing Deep Rock 1926 Balance sheet.")

(Trustees' Exhibit H is the annual report of Standard Gas and Electric Company for the year ended December 31, 1927. Included is a letter to the Stockholders of Standard, which under the heading of "Subsidiaries and affiliated Companies" reads in part as follows:

"Byllesby Engineering and Management Corporation, whose entire earnings accrue to Standard Gas and Electric Company, continue to progress and grow at a rate commensurate with the growth and development of the Subsidiary and affiliated Companies. The experienced staff of Byllesby Engineering and Management Corporation renders valuable service to the properties in problems of engineering, operation and commercial developments.

The Shaffer Oil & Refining Company showed results for the year, reflecting general conditions in the oil industry, due to

the low prices which prevailed in the industry, brought about an over production of crude oil, gross earnings decreased 22.64 per cent, and net earnings decreased 50.27 per cent."

The balance sheet of Standard showed total assets of $161,143,256.75, and liabilities, excluding capital stock, $56,160,048.63. A notation on this balance sheet shows that Standard was contingently liable as guarantor of the principal and interest of the First Mortgage Convertible six per cent Sinking Fund Gold Bonds of Shaffer Oil & Refining Company, on which $1,843,700.00 face value were then outstanding; and on account of notes indorsed, guaranteed or discounted, for affiliated companies in the amount of $190,000.00.

Included also is a statement headed "Standard Gas and Electric Company and *Subsidiar* and affiliated Companies, Consolidated Balance Sheet, December 31, 1927", which shows total assets of $1,048,681,893.90, and liabilities, excluding capital stock, of $685,528,700.89.

Under the heading of Standard Gas and Electric Company and Subsidiary and affiliated Companies—Consolidated Earnings Statement, is an earning statement of Standard Subsidiaries, included among which is Shaffer Oil & Refining Company, and as to which companies the following information is given: Gross earnings, public utility companies, $145,963,139.00, Shaffer Oil & Refining Company, $16,950,719.98; operating expenses, public utility companies, $82,807,975.42, Shaffer Oil & Refining Company, $13,943,935.66; net earnings, public utility companies, $63,145,163.58, Shaffer Oil & Refining Company, $3,006,784.32.

Under the heading of Subsidiary and affiliated Companies of Standard Gas and Electric Company, comparative statement of gross earnings, is a table showing the gross earnings for all Standard's Subsidiaries from 1923 through 1927 inclusive, in which table is included Shaffer Oil & Refining Company, which shows a gross earning of $16,950,719.98 for Shaffer Oil & Refining Company for 1927, and a total of $145,963,139.00 even for public utility companies for the same year. Under the heading of Subsidiary and affiliated companies of Standard Gas and Electric Company—Comparative statement of net earnings, is a table of the net earnings of all of Standard's Subsidiaries for 1923 through 1927 inclusive, among which is included Shaffer Oil & Refining Company, which shows a net earning for Shaffer Oil & Refining Com-

pany for 1927 of $3,006,784.32, and a total of $63,145,163.58 for the public utility companies of Standard for the same year.

Under the heading of Subsidiary and affiliated Companies of Standard Gas and Electric Company is a table showing the Standard's and the public's interests in the funded debt, Preferred Stocks and Common Stocks of all of the Subsidiaries of Standard, included among which is Shaffer Oil & Refining Company.

Included also is a balance sheet of Shaffer Oil & Refining Company as of December 31, 1927, copy of which appears in this record as "Trustee's Exhibit H, Part containing Deep Rock 1927 Balance Sheet.")

(Trustees' Exhibit I is the annual report of Standard Gas and Electric Company for the year ended December 31, 1928. Included is a letter from Standard to its Stockholders, which under the heading of "Subsidiaries and affiliated Companies" reads in part as follows:

"Shaffer Oil & Refining Company reported satisfactory progress for 1928. Higher market prices for refinery products resulted in increased earnings as compared with 1927, although crude oil production was curtailed slightly, the refinery was operated at capacity during the entire year, with operating cost the lowest of record. The company continued its policy of acquiring desirable acreage for drilling.

Byllesby Engineering and Management Corporation, whose entire earnings accrue to Standard Gas and Electric Company, continued to show growth consistent with the development of Subsidiary and affiliated companies."

The balance sheet of Standard Gas and Electric Company showed total assets of $172,403,331.50, and liabilities, exclusive of capital stock, of $58,892,961.10. A notation on the balance sheet shows that Standard was contingently liable on account of a note of a Subsidiary Company discounted, in the amount of $100,000.00.

Included also is a statement headed "Standard Gas and Electric Company and Subsidiary and affiliated Companies, Consolidated Balance Sheet, December 31, 1928," which shows total assets of $1,054,363,782.31, and liabilities, excluding capital stock, of $655,050,476.80.

Under the heading of Standard Gas and Electric Company and Subsidiary and affiliated Companies—Consolidated Earnings Statement is a table which shows the following: Gross earnings, public utility companies, $147,570,502.06, Shaffer Oil & Refining Company, $17,813,404.94; operating expenses, public utility companies, $79,097,191.38, Shaffer Oil & Refining Company, $13,775,795.55; net earnings, public utility companies, $68,473,310.68, Shaffer Oil & Refining Company, $4,037,609.39.

Under the heading of Subsidiary and affiliated Companies of Standard Gas and Electric Company—Comparative Statement of Gross Earnings and Net Earnings, are tables showing the gross and net earnings of Standard's Subsidiaries from 1924 through 1928 inclusive, the totals of which are for the year 1928, are as follows: Gross earnings, public utility companies, $147,570,502.06, Shaffer Oil & Refining Company, $17,813,404.94; net earnings, public utility companies, $68,473,310.68 Shaffer Oil & Refining Company, $4,037,609.39.

Under the heading of Subsidiary and affiliated Companies of Standard Gas and Electric Company, is a table showing the Standard's and the public's interests in the funded debt, Preferred Stocks and Common Stocks of the Standard's Subsidiaries. Included also is a balance sheet and comparative earnings statement of Shaffer Oil & Refining Company, a copy of which appears in this record as "Trustee's Exhibit I, Part containing Deep Rock 1928 Balance Sheet.")

(Trustees' Exhibit J is the annual report of Standard Gas and Electric Company for the year ended December 31, 1929. Included is a letter to the Stockholders of Standard, which under the heading of "Changes in Capital and Corporate Structure", reads in part as follows:

"On January 7, 1930, * * * the stockholders also approved the acquisition of all the assets of Standard Power & Light Corporation, * * *. In this transaction there reverted to Byllesby Engineering and Management Corporation (a wholly owned Subsidiary of Standard Gas and Electric Company) the right of Standard Power & Light Corporation to share in the profits from certain engineering and/or management services rendered to Subsidiaries and affiliated Companies.

"Byllesby Engineering and Management Corporation, whose entire earnings accrue to Standard Gas and Electric Company

through ownership of all its stock by the latter company, renders engineering and/or management services to all the Subsidiary and affiliated Companies of Standard Gas and Electric Company."

In this same letter under the heading of "Subsidiary and affiliated Companies" appears the following statements:

"Shaffer Oil & Refining Company, despite adverse conditions existing in the petroleum industry, maintained its net earnings at practically the same level as last year, slightly higher prices on station sales were offset to some extent by lower prices prevailing on tank car sales. The refinery was operated at full capacity, and the company continued its policy of acquiring desirable acreage for drilling.

"Byllesby Engineering and Management Corporation continued to show growth consistently with developments of the Subsidiary and affiliated Companies."

On page 46 of said annual report appears the following note:

"This balance sheet does not include Deep Rock Oil and Refining Company, the entire property of which is leased to Shaffer Oil and Refining Company. The rentals received from such lease accrue to Standard Gas and Electric Company through its ownership of the entire capital stock of Deep Rock Oil and Refining Company."

The 1929 Standard Annual Report is the first one containing that statement. It appears in substantially the same language in the subsequent annual statements of the Standard.

The balance sheet of Standard Gas and Electric Company shows total assets of $190,926,111.47, and liabilities, excluding capital stock, of $61,077,239.81.

Included also is a statement headed "Standard Gas and Electric Company and Subsidiary and Affiliated Companies, Consolidated Balance Sheet, December 31, 1929", which shows total assets of $1,090,992,598.32, and liabilities, excluding capital stock, of $663,785,395.36. This balance sheet further shows that of the $427,207,202.96 of capital stock of all companies outstanding, a total of $128,803,671.66 was Standard stock and stock owned by Standard Gas and Electric Company.

Under the heading of "Standard Gas and Electric Com-

pany and Subsidiary and Affiliated Companies—Statement of Consolidated Income", appears an earnings statement of all of the Standard Subsidiaries, the totals in such statement being as follows: Gross earnings, public utility companies, $154,198,087.45, Shaffer Oil & Refining Company, $18,564,660.56; operating expenses, public utility companies, $80,156,571.61, Shaffer Oil & Refining Company, $14,519,348.68; net earnings, public utility companies, $74,041,515.84, Shaffer Oil & Refining Company, $4,045,311.88.

Under the heading of "Subsidiary and Affiliated Companies of Standard Gas and Electric Company—Comparative Statement of Gross and Net Earnings", is a statement of the gross and net earnings of all the Subsidiaries of Standard from 1925 through 1929, those for the year 1929 being as follows: Gross earnings, public utility companies, $154,198,087.45, Shaffer Oil & Refining Company, $18,564,660.56; net earnings, public utility companies, $74,041,515.84, Shaffer Oil & Refining Company, $4,045,311.88.

Under the heading of Subsidiary and affiliated Companies of Standard Gas and Electric Company—Capitalization Outstanding, appears a statement of Standard's and the public's interests in the funded debt, Preferred Stocks and Common Stocks of all the Subsidiaries of Standard, included among which is Shaffer Oil & Refining Company. Also included is the condensed balance sheet of Shaffer Oil & Refining Company as of December 31, 1929, copy of which appears in this record as "Trustee's Exhibit J, Part containing 1929 Deep Rock Balance Sheet.")

(Trustees' Exhibit K is the annual report of Standard Gas and Electric Company for the year 1930. Included in this report is a letter to Standard's Stockholders, which under the heading of "Subsidiary and affiliated Companies" reads in part as follows:

"Deep Rock Oil Corporation operated its refinery department at capacity throughout the year, and continued its policy of acquiring desirable acreage for drilling. Its net earnings decreased during 1930, on account of over production of crude oil proration of production by the State of Oklahoma, and the lowering of prices both for crude oil and refined products. The company's potential production at this time is greater than ever before.

Byllesby Engineering and Management Corporation, a

wholly owned Subsidiary of Standard Gas and Electric Company, continued to show progress consistent with the developments of the Subsidiary and affiliated Companies."

Included is a balance sheet of Standard Gas and Electric Company, which shows total assets of $319,242,514.58, and liabilities, excluding capital stock of $89,452,814.54.

Included also is a statement headed "Standard Gas and Electric Company and Subsidiary and affiliated Companies, Consolidated Balance Sheet, December 31, 1930", which shows total assets of $1,204,858,329.43, and liabilities, excluding capital stock, of $680,675,588.79. This balance sheet further shows that of the $524,182,740.64 of capital stock of all companies outstanding, a total of $228,733,773.82 was Standard stock and stock owned by Standard Gas and Electric Company.

Under the heading of Standard Gas and Electric Company and Subsidiary and affiliated Companies—Statement of Consolidated Income, is an earnings statement, whose totals are as follows: Gross earnings, public utility companies, $153,732,480.28, Deep Rock Oil Corporation, $18,728,391.45; operating expenses, public utility companies, $80,316,609.27, Deep Rock Oil Corporation, $16,033,164.28; net earnings, public utility companies, $73,415,871.01, Deep Rock Oil Corporation, $2,695,227.17. One of the deductions from the total net earnings figure is a deduction of $726,768.99, entitled "Deep Rock Oil Corporation—Appropriation for retirement of property and Depletion". This is the first time in the annual reports that this specific appropriation for retirement of property and depletion for Deep Rock Oil Corporation has been set up in a Consolidated Income Statement of Standard Gas and Electric Company.

Included is a statement headed Subsidiary and affiliated Companies of Standard Gas and Electric Company, Comparative Statement of Gross and Net Earnings, which is an earning statement for all of Standard's Subsidiaries from 1926 through 1930, the totals for 1930 being as follows: Gross earnings, public utility companies, $153,732,480.28, Deep Rock Oil Corporation, $18,728,391.45; net earnings, public utility companies, $73,415,871.01, Deep Rock Oil Corporation, $2,695,227.17.

Included is a statement headed Subsidiary or affiliated Companies of Standard Gas and Electric Company—Capitalization Outstanding, showing Standard's and the public's inter-

ests in the funded debt, Preferred Stocks and Common Stocks of all of Standard's Subsidiaries, including Deep Rock Oil Corporation. Included also is a balance sheet and earnings statement of Deep Rock Oil Corporation as of December 31, 1930, a copy of which appears in this record as "Trustees' Exhibit K, Part containing 1930 Deep Rock Balance Sheet.")

(Trustees' Exhibit L is the annual report of the Standard Gas and Electric Company for the year ended December 31, 1931. Included is a letter to Standard's Stockholders, in which the following statement appears:

"Continued over production and proration of crude oil resulted in the lowering of prices of both crude and refined petroleum products, and without the main factors having an adverse effect on earnings of Deep Rock Oil Corporation and its Subsidiary and affiliated Companies."

The balance sheet of Standard Gas and Electric Company shows total assets of $330,241,764.15, and liabilities, excluding capital stock, of $100,105,256.64.

Included also is a statement headed "Standard Gas and Electric Company and Subsidiary and affiliated Companies—Consolidated Balance Sheet, December 31, 1931", which shows total assets of $1,221,120,270.17, and liabilities, excluding capital stock, of $688,034,948.20. This balance sheet further shows that of the $533,093,321.97 of capital stock of all companies outstanding, a total of $228,935,608.86 was Standard stock and stock owned by Standard.

Included is a statement headed Standard Gas and Electric Company and Subsidiary and affiliated Companies—Statement of Consolidated Income, the totals of which show the following: Gross earnings, public utility companies, $145,528,802.96, Deep Rock Oil Corporation, $13,541,489.80; operating expenses, public utility companies, $73,105,097.28, Deep Rock Oil Corporation, $11,933,734.17; net earnings, public utility companies, $72,423,705.68, Deep Rock Oil Corporation, $1,607,755.63. One of the deductions from the net earnings total is an item entitled "Appropriation for Retirement of property and for Depletion", which shows for the public utility Companies, a deduction of over $14,000,000.00, but shows that there is no deduction of this amount for Deep Rock Oil Corporation.

Included is a statement headed Subsidiary and affiliated Companies of Standard Gas and Electric Company—Comparative Statement of Gross and Net Earnings, which statement covers the years 1927 through 1931, the totals for the year 1931, being as follows: Gross earnings, public utility companies, $145,528,802.96, Deep Rock Oil Corporation, $13,541,489.80; net earnings, public utility companies, $72,423,705.68, Deep Rock Oil Corporation, $1,607,755.63.

Included is a statement headed Subsidiary and affiliated Companies of Standard Gas and Electric Company, Capitalization Outstanding, which shows the Standard's and the public's interests in the funded debt, Preferred Stocks and Common Stocks of all the Subsidiaries of Standard Gas and Electric Company, included among which is Deep Rock Oil Corporation. Included also is a condensed balance sheet and earnings statement of Deep Rock Oil Corporation as of December 31, 1931, copy of which appears in this record as "Trustee's Exhibit L, Part containing 1931 Deep Rock Balance Sheet.")

(Trustees' Exhibit M is the annual report of Standard Gas and Electric Company for the year ended December 31, 1932. Included is a letter to Standard's Stockholders, in which the following statement appears:

"The financial condition and results of operations of Standard Gas and Electric Company and its Subsidiary and affiliated Companies, not including Deep Rock Oil Corporation, (in receivership) are reflected in the accompanying balance sheet * * *."

In this same letter under the heading, Deep Rock Oil Corporation, appears the following:

"The balance sheet and income statement of Deep Rock Oil Corporation, and a summary of its operations for the year 1932, are omitted from this report, for the reason that the company is in receivership. In 1928 the corporation (then named Shaffer Oil & Refining Company) issued $10,000,000.00 principal amount of six per cent Convertible Gold Notes, due March 1, 1933. In May, 1932, efforts were begun to obtain the consent of the note holders to the extension of maturity to March 1, 1937, and the holders of $7,819,500.00, principal amount of the notes, agreed to this extension. Owing to general financial conditions, the corporation was unable to refund the unextended notes, although it had paid regularly the in-

terest due on all the notes. Funds sufficient for the payment of the installment of interest due March, 1933, on the entire issue of $10,000,000.00, principal amount of notes, were *deposted* for the purpose of such payment. Operations are now being conducted by Receivers appointed in March, 1933. A reorganization committee, which will include representatives of disinterested banking institutions, is being formed, and it is expected that a reorganization of a corporation will be effected as rapidly as practicable.

At the date on which Deep Rock Oil Corporation was placed in receivership, the corporation owed Standard Gas and Electric Company, on open account, $9,342,642.37 (against which certain counterclaims recently have been asserted) and the Standard Gas and Electric Company owned nine hundred sixty-nine (969) shares of the corporation's $7.00 cumulative Preferred Stock, and 579,132 (96.60 per cent of the total outstanding) shares of its Common Stock."

The balance sheet of Standard Gas and Electric Company shows for the first time, as an asset, the following:

"Investments in and advances to Deep Rock Oil Corporation (in receivership) at book value—$34,058,373.41."

Nothing appears on the liability side of this balance sheet to set off any part of this item.

A condensed balance sheet of Standard Gas and Electric Company and Subsidiary and affiliated Companies which excludes Deep Rock Oil Corporation shows total assets of $1,196,937,780.52, and liabilities, excluding capital stock, of Standard and its Subsidiaries, of $675,633,835.05; the capital stock owned by Standard Gas and Electric Company amounts to $223,880,665.41.

No further statements as to Deep Rock Oil Corporation are shown in the 1932 report, because of the fact that Deep Rock Oil Corporation was in receivership, and Deep Rock appears nowhere in the various tables in which heretofore it was included.)

Trustees' Exhibit "Eye".

December 22, 1925.

Mr. O. O. Kerr, General Auditor, Shaffer Oil and Refining Company, Tulsa, Oklahoma.

Dear Sir: Referring to lease rental of $75,000 per month

from October 1st to December 31st, per our telegram of December 10th, the procedure will be as follows:

Shaffer Oil and Refining Company on March 22, 1923, purchased from J. C. Kennedy, Trustee, 8,325 shares no par value capital stock of the Deep Rock Oil and Refining Company for consideration of $649,999, and leased the property of the Deep Rock Oil and Refining Company, and received from these properties the full earnings, paying all expenses and advancing funds for additions and betterments, no other consideration being paid. No entries had been placed on the books of Shaffer Oil and Refining Company for the purchase of this stock but the investment was advanced by the Standard Gas and Electric Company and has been charged to you in Open Account.

To record the above transaction it will be necessary for you to make the following entries on your books:

Debit:
Securities Owned, 8,325 shares Deep Rock Oil and Refining Company Stock..$649,999

Credit:
J. C. Kennedy, Trustee $649,999
to record purchase of Capital Stock of above Company.

Debit:
J. C. Kennedy, Trustee.....$649,999

Credit:
Standard Gas and Electric Company.. $649,999
to transfer the Open Account to latter Company.

On October 1, 1925, Standard Gas and Electric Company purchases from Shaffer Oil and Refining Company the Capital Stock of Deep Rock Oil and Refining Company for the same consideration, or $649,999 and entry should be made on your books:

Debit:
Standard Gas and Electric Company...$649,999

Credit:
Securities Owned $649,999
to record sale of above stock to Standard Gas and Electric Company. Shaffer Oil and Refining Company will then lease the property of the Deep Rock Oil and Refining Company and

will pay therefor rental for 1925 of $225,000 pro-rated over last three months of 1925 and subsequent thereto will pay rental of $600,000 per annum in equal monthly installments and lease to this effect is now being drawn by Cummins, Roemer and Flynn.

As the new lease is dated October 1, 1925, and the stock was purchased under that date, Standard Gas and Electric Company will give Shaffer Oil and Refining Company the credit as above and interest on this amount will cease on that date so that any entries you have made in October and November allowing Standard Gas and Electric Company credit on Open Account in this amount will be reversed.

As to the division of the rental between your Production and Refinery Departments, this will have to be worked out by you. After you have arrived at this division of rental charge wish you would advise us, sending details as to basis used.

Yours very truly,

(Signed) B. F. BRAHENEY,
General Auditor.

BFB:R

Trustee's Exhibit N.

(This exhibit is a Trust Indenture from Shaffer Oil & Refining Company to Continental & Commercial Trust & Savings Bank, Trustee and William P. Kopf, co-trustee, securing an authorized issue of $15,000,000 First Mortgage Convertible Six Per Cent Sinking Fund Gold Bonds, dated June 1, 1919, due June 1, 1929.)

Trustee's Exhibit T.

Directors' Meeting—March 9, 1928. Dividend of 1-½% on preferred capital stock for quarter ending March 31, 1928. The following Directors were present:

J. J. O'Brien	J. H. Briggs
H. C. Cummins	M. A. Morrison
R. J. Graf	B. W. Lynch
R. G. Hunt	O. G. Corns
B. L. Majewski	

Absent:

John L. Gray	Richard K. Huey
W. R. Francisco	W. E. Moody
L. B. Riddle	F. W. Stehr

Directors' Meeting—June 14, 1928. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending June 30, 1928. The following Directors were present:

J. J. O'Brien
R. J. Graf
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. G. Hunt
O. G. Corns
H. C. Cummins
B. L. Majewski

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
Richard K. Huey
W. E. Moody
F. W. Stehr

Directors' Meeting—September 12, 1928. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending September 30, 1928. The following Directors were present:

J. J. O'Brien
R. J. Graf
W. R. Francisco
L. B. Riddle
John L. Gray
H. C. Cummins
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
F. W. Stehr
R. G. Hunt
O. G. Corns

Absent:

Richard K. Huey
W. E. Moody

Directors' Meeting—December 13, 1928. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending December 31, 1928. The following Directors were present:

J. J. O'Brien
R. J. Graf
H. C. Cummins
J. H. Briggs
M. A. Morrison
F. W. Stehr
R. G. Hunt
O. G. Corns

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
B. L. Majewski
Richard K. Huey
W. E. Moody
B. W. Lynch

*Directors' Meeting—December 31, 1928. Declared dividend of $1.50 per share on Common Stock for twelve months ending December 31, 1928. The following Directors were present:

J. J. O'Brien
H. C. Cummins
R. J. Graf
J. H. Briggs
M. A. Morrison
B. W. Lynch
O. G. Corns
B. L. Majewski

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
Richard K. Huey
W. E. Moody
F. W. Stehr
R. G. Hunt

Directors' Meeting—March 9, 1929. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending March 31, 1929. The following Directors were present:

J. J. O'Brien
H. C. Cummins
R. J. Graf
O. G. Corns
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. G. Hunt
B. L. Majewski

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
Richard K. Huey
W. E. Moody
F. W. Stehr

Directors' Meeting—June 12, 1929. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending June 29, 1929. The following Directors were present:

J. J. O'Brien
R. J. Graf
J. H. Briggs
M. A. Morrison
B. W. Lynch
H. C. Cummins
John L. Gray
B. L. Majewski

Absent:

O. G. Corns
R. G. Hunt
W. R. Francisco
L. B. Riddle
Richard K. Huey
W. E. Moody
F. W. Stehr

Directors' Meeting—September 5, 1929. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending September 30, 1929. The following Directors were present:

J. J. O'Brien
H. C. Cummins
John L. Gray
W. R. Francisco
L. B. Riddle
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
W. E. Moody
O. G. Corns

Absent:

R. J. Graf
R. K. Huey
F. W. Stehr
R. G. Hunt

Directors' Meeting—December 4, 1929. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending December 31, 1929. The following Directors were present:

J. J. O'Brien
R. J. Graf
H. C. Cummins
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. G. Hunt
O. G. Corns

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
R. K. Huey
W. E. Moody
F. W. Stehr

Directors' Meeting—February 24, 1930. Declared dividend of $1.75 on Common Stock for year ending December 31, 1929. The following Directors were present:

J. J. O'Brien
R. J. Graf
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. G. Hunt
O. G. Corns
H. C. Cummins

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
B. L. Majewski
R. K. Huey
W. E. Moody
F. W. Stehr

Directors' Meeting—March 19, 1930. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending March 31, 1930. The following Directors were present:

J. J. O'Brien
H. C. Cummins
R. J. Graf
B. L. Majewski
J. H. Briggs
B. W. Lynch
R. G. Hunt
O. G. Corns

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
M. A. Morrison
R. K. Huey
W. E. Moody
F. W. Stehr

Directors' Meeting—June 11, 1930. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending June 30, 1930. The following Directors were present:

J. J. O'Brien
H. C. Cummins
R. J. Graf
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. G. Hunt
O. G. Corns

Absent:

John L. Gray
W. R. Francisco
L. B. Riddle
R. K. Huey
W. E. Moody
F. W. Stehr

Directors' Meeting—September 9, 1930. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending September 30, 1930. The following Directors were present:

J. J. O'Brien
John L. Gray
H. C. Cummins
R. J. Graf
L. B. Riddle
B. L. Majewski
J. H. Briggs
M. A. Morrison
B. W. Lynch
R. G. Hunt
O. G. Corns

Absent:

W. R. Francisco
R. K. Huey
W. E. Moody
F. W. Stehr

Directors' Meeting—December 12, 1930. Declared dividend of $1.75 on Convertible Preferred Stock, $7.00 Cumulative for quarter ending December 31, 1930. The following Directors were present:

J. J. O'Brien
R. J. Graf
John L. Gray
B. W. Lynch
J. H. Briggs
M. A. Morrison
O. G. Corns
H. C. Cummins
R. G. Hunt
L. B. Riddle
B. L. Majewski
W. R. Francisco
W. E. Moody

Absent:

R. K. Huey
F. W. Stehr

*Declaration of Common Stock Dividend is designated by an asterisk preceding the date of the Directors' Meeting. At the other meetings listed, dividends were declared on the preferred stock.

Trustee's Exhibit X.

(Trustee's Exhibit X consists of a volume containing minutes of Deep Rock's Board of Directors meetings. This Exhibit is not reproduced in full in this record, but the following constitutes a portion of the minutes appearing in Trustee's Exhibit X):

Special Meeting of Board of Directors.
Shaffer Oil and Refining Company.

July 11, 1919.

A special meeting of the Board of Directors of Shaffer Oil and Refining Company was held at the office of the company, Room 208 South LaSalle Street, Chicago, Illinois, on the 11th day of July, 1919, at two o'clock in the afternoon of that day, pursuant to written waiver of notice signed by all the Directors of the Company.

The following directors were present: M. A. Morrison, B. W. Lynch, J. H. Briggs, J. J. Madden, Herbert List, F. C. Gordon, C. H. O'Reilly, Albert S. Cummins, J. R. Clerkin, constituting a majority of the Board and a quorum for the transaction of business.

Absent: H. C. Cummins.

Mr. J. H. Briggs, the Chairman of the Board of Directors, acted as Chairman, and Mr. Herbert List, the Secretary of the Company, recorded the proceedings of the meeting.

The waiver of notice and consent to the meeting was read, found in due form, approved and ordered filed with the records of the Company.

The minutes of the previous meeting were read and duly approved.

The Chairman read to the meeting the following communication from H. M. Byllesby and Company:

"Shaffer Oil and Refining Company, Chicago, Illinois.

Gentlemen: H. M. Byllesby and Company hereby make the following proposition to your Company:

1. H. M. Byllesby and Company will sell, assign and transfer or cause to be sold, assigned and transferred, to your Company:

(a) All the leases for oil and gas purposes of C. B. Shaffer located in the State of Oklahoma, drilled and undrilled, including the equipment of wells operated or in process of drilling, and all equipment and personal property used in connection with the operation of said leases, this property being commonly known as C. B. Shaffer No. 2.

(b) All of the property, real, personal and mixed, of Consumers Refining Company, a West Virginia corporation, including the accounts receivable due from Home Oil Company and the Distributing Department of said Consumers Refining Company, but not any other book assets, you to assume the notes payable of this Company to Paragon Oil Company amounting to approximately, $49,000, and also to assume all liabilities of the Distributing Department of this Company created since January 1, 1919, it being the intent and purpose hereof to deliver to you the property of said Consumers Refining Company as a going concern.

(c) Certain oil and gas leases located in the State of Texas, covering, approximately, 12,000 acres, more or less.

All of said above transfers to relate back to and become effective as of January 1, 1919.

(d) $5,700,000 in cash.

2. Shaffer Oil and Refining Company will issue and deliver to H. M. Byllesby and Company, or its nominee, the following:

(a) $11,000,000 face value First Mortgage Convertible Six Per Cent Sinking Fund Gold Bonds of Shaffer Oil and Refining Company.

(b) $10,400,000 par value of the Participating Seven Per Cent Cumulative Preferred Stock of Shaffer Oil and Refining Company.

(c) 200,000 shares of the common capital stock, without nominal or par value, of Shaffer Oil and Refining Company.

3. H. M. Byllesby and Company will purchase from Shaffer Oil and Refining Company $1,000,000 par value of said Shaffer Oil and Refining Company First Mortgage Convertible Six Per Cent Sinking Fund Gold Bonds at 87½ and accrued interest.

4. Shaffer Oil and Refining Company shall pay to the owners in C. B. Shaffer No. 2, all United States Internal Revenue Tax whatsoever that may be assessed by the Government for the calendar year 1919 arising from the profits of the sale of the C. B. Shaffer No. 2 property to H. M. Byllesby and Company under said contract dated May 20, 1919, and in addition such increase of the surtax as provided in Article 13 of Regulation 45 promulgated by the Internal Revenue Department, which said owners in C. B. Shaffer No. 2 property may be assessed on an amount not to exceed Two Hundred Thousand Dollars ($200,000) for each of said owners for other income than that derived from the profits of the sale of C. B. Shaffer No. 2 property because of such sale and profits derived therefrom. It being the intention that there shall be paid by Shaffer Oil and Refining Company in addition to the tax upon the profits derived from such sale, only the difference between the surtax that would be payable by the owners on an amount of income not to exceed Two Hundred Thousand Dollars ($200,000) each, if no sale had been made or profits derived, and the increased surtax on said Two Hundred Thousand Dollars ($200,000) for each of said owners resulting because of profits derived by such owners from such sale.

Dated July 11th, 1919.

Yours very truly,

H. M. BYLLESBY AND COMPANY,
By ARTHUR S. HUEY, Vice President.

Attest: R. J. Graf, Secretary.

Upon motion duly made, seconded and carried, the following resolutions were unanimously adopted:

Whereas H. M. Byllesby and Company has offered to sell, assign, transfer and set over to this Company or cause to be sold, assigned, transferred and set over, the following:

(a) All the leases for oil and gas purposes of C. B. Shaffer located in the State of Oklahoma, drilled and undrilled, including the equipment of wells operated or in process of drilling, and all equipment and personal property used in connection with the operation of said leases, this property being commonly known as C. B. Shaffer No. 2.

(b) All of the property, real, personal and mixed, of Consumers Refining Company, a West Virginia corporation, including the accounts receivable due from Home Oil Company and the Distributing Department of said Consumers Refining Company, but not any other book assets, this Company to assume the notes payable of Consumers Refining Company to Paragon Oil Company, amounting to, approximately, $49,000, and also to assume all liabilities of the Distributing Department of said Consumers Refining Company created since January 1, 1919.

(c) Certain oil and gas leases located in the State of Texas, covering, approximately, 12,000 acres, more or less.

All of said above transfers to relate back and become effective as of January 1, 1919.

(d) $5,700,000 in cash.

In consideration of the issuance and delivery to said H. M. Byllesby and Company by this Company of the following:

(a) $11,000,000 face value First Mortgage Convertible Six Per Cent Sinking Fund Gold Bonds of Shaffer Oil and Refining Company.

(b) $10,400,000 par value of the Participating Seven Per

Cent Cumulative Preferred Stock of Shaffer Oil and Refining Company.

(c) 200,000 shares of the common capital stock, without nominal or par value, of Shaffer Oil and Refining Company.

(d) And the agreement by this Company to pay to the owners in C. B. Shaffer No. 2, all United States Internal Revenue Tax whatsoever that may be assessed by the Government for the calendar year 1919 arising from the profits of the sale of the C. B. Shaffer No. 2 property to H. M. Byllesby and Company under said contract dated May 20, 1919, and in addition such increase of the surtax as provided in Article 13 of Regulation 45 promulgated by the Internal Revenue Department, which said owners in C. B. Shaffer No. 2 property may be assessed on an amount not to exceed Two Hundred Thousand Dollars ($200,000) for each of said owners for other income than that derived from the profits of the sale of C. B. Shaffer No. 2 property because of such sale and profits derived therefrom. It being the intention that there shall be paid by Shaffer Oil and Refining Company in addition to the tax upon the profits derived from such sale, only the difference between the surtax that would be payable by the owners on an amount of income not to exceed Two Hundred Thousand Dollars ($200,000) each, if no sale had been made or profits derived, and the increased surtax on said Two Hundred Thousand Dollars ($200,000) for each of said owners resulting because of profits derived by such owners from such sale.

And Whereas this Company has made an examination of the properties above referred to and from such examination it is the opinion of this Board of Directors that it is desirable and for the best interests of this Company to accept the offer of said H. M. Byllesby and Company and acquire said properties for the consideration aforesaid:

Therefore, Be It and It Is Hereby Resolved that it is the opinion of the Board of Directors that it is desirable and for the best interests of this Company to acquire said properties for said consideration; that said properties are of the fair and reasonable value of the bonds and stock of this Company to be issued therefor, and of the obligations assumed by the agreement to pay United States Internal Revenue Taxes; that said properties embrace a complete Oil and gas property, refinery and distributing organization and that said property also embraces valuable leasehold interests, developed and

undeveloped, and that the acquisition of said properties is in line with the carefully considered policy of this Company, and will result in a profit to this Company.

Be It and It Is Hereby Further Resolved that said offer of H. M. Byllesby and Company be and it is hereby accepted, and that this Company hereby agrees to purchase said properties for the consideration aforesaid and to deliver to said H. M. Byllesby and Company, or its nominee, the consideration aforesaid, and to enter into the necessary contract or contracts relative to the payment of the United States Internal Revenue Tax, and upon the delivery to this Company of proper instruments of conveyance, the President or a Vice President and the Secretary or an Assistant Secretary of this Company be and they are hereby authorized, empowered and directed to enter into any and all contracts with H. M. Byllesby and Company and others, and to do any and all other acts and things that they may in their discretion deem proper and convenient for the purpose of acquiring the said properties, and in all respects carrying out the intent of these resolutions.

Be It and It Is Hereby Further Resolved that in order to make payments to said H. M. Byllesby and Company, or its nominee, as above set forth, the President or any one of the Vice Presidents and the Secretary or any one of the Assistant Secretaries of this Company be and they are hereby authorized and empowered to issue one hundred four thousand (104,000) shares of the par value of One Hundred Dollars ($100) each, aggregating Ten Million Four Hundred Thousand Dollars ($10,400,000) par value of the fully paid and non-assessable preferred capital stock of this Company and upon receipt of the above mentioned conveyances and contracts, to deliver said preferred and common stock of this Company to or upon the order of said H. M. Byllesby and Company.

Be It and It Is Hereby Further Resolved that pending the preparation of permanent stock certificates, the officers of this Company be and they are hereby authorized and directed to deliver to said H. M. Byllesby and Company, or its order, temporary typewritten stock certificates, exchangeable for a like amount par value of permanent stock certificates, when and as such permanent stock certificates are ready for delivery.

Upon motion duly made, seconded and carried, the following resolution was unanimously adopted:

Whereas it has been agreed that the stock to be issued in payment of the above property authorized to be purchased by the resolutions hereinabove set forth, shall include the stock subscribed for by the signers of the Certificate of Incorporation;

Therefore, Be It and It Is Hereby Resolved that said property be accepted in full payment of the subscriptions of stock made by said incorporators, and that fully paid and non-assessable stock be issued to them or their assignees to the amount of their respective subscriptions.

Upon motion duly made, seconded and carried, the following resolutions were unanimously adopted:

Be It Resolved by the Board of Directors of Shaffer Oil and Refining Company that the offer of H. M. Byllesby and Company to purchase from this Company One Million Dollars ($1,000,000) par value of its First Mortgage Convertible Six Per Cent Sinking Fund Gold Bonds at eighty-seven and one-half per cent (87½%) of the face value thereof be and the same is hereby accepted.

Be It Further Resolved that the proper officers of this Company be and they are hereby empowered to issue and deliver said bonds to or upon the order of H. M. Byllesby and Company when and as payment thereof is made to this Company.

There being no further business to come before the meeting, the same was, on motion duly made, seconded and carried, adjourned.

HERBERT LIST, Secretary.

Regular Meeting of Board of Directors—Shaffer Oil and Refining Company, April 28, 1926.

The regular weekly meeting of the Board of Directors of Shaffer Oil and Refining Company was held on the 28th day of April, 1926, at two o'clock in the afternoon of that day. The following directors were present: J. J. O'Brien, R. J. Graf, J. H. Roemer, M. A. Morrison, B. W. Lynch, A. S. Cummins, H. C. Cummins, O. G. Corns, R. G. Hunt, constituting a majority of the Board and a Quorum for the transaction of

business. Absent: John L. Gray, W. R. Francisco, L. B. Riddle, Richard K. Huey, F. W. Stehr. Mr. J. J. O'Brien, the President of the Company, acted as Chairman and Mr. M. A. Morrison, Assistant Secretary of the Company, recorded the proceedings of the meeting. The minutes of the previous meeting were read and approved. After a discussion the following resolutions were, upon motion duly made and carried, unanimously adopted:

Be It Resolved that H. M. Byllesby and Company is authorized to supervise generally, subject to the order of this Board, matters relating to federal income tax liabilities of this Company;

Be It Further Resolved: that H. M. Byllesby and Company is authorized to execute from time to time, in behalf of this Company but in the name of H. M. Byllesby and Company, such agreements relative to payment, reimbursement or refunding of federal income taxes of this Company, C. B. Shaffer and Elmer E. Smathers as shall, in the judgment of H. M. Byllesby and Company, be to the best interests of this Company, such authority to *sontinue* until such time as it may be revoked by the Board of Directors of this Company and proper notice of such revocation be given to H. M. Byllesby and Company, and that this Company does hereby agree to indemnify H. M. Byllesby and Company against any loss, expense or liability to H. M. Byllesby and Company by reason of the execution or operation of any such agreement.

There being no further business to come before the meeting, it was, upon motion duly made, seconded and carried, adjourned.

M. A. MORRISON, Assistant Secretary.

Regular Meeting of Board of Directors—Shaffer Oil and Refining Company, December 15, 1926.

The regular meeting of the Board of Directors of Shaffer Oil and Refining Company was held at the office of the Company, 231 South LaSalle Street, Chicago, Illinois, on the 15th day of December, 1926, at two o'clock in the afternoon of that day.

The following directors were present: J. J. O'Brien, R. J. Graf, J. H. Roemer, J. H. Briggs, M. A. Morrison, B. W.

Lynch, A. S. Cummins, R. G. Hunt, O. G. Corns, constituting a majority of the Board and a quorum for the transaction of business.

Absent: H. C. Cummins, John L. Gray, W. R. Francisco, L. B. Riddle, Richard K. Huey, F. W. Stehr.

Mr. J. J. O'Brien, President of the Company, acted as Chairman, and Mr. M. A. Morrison recorded the proceedings of the meeting.

The minutes of the previous meetings were read and duly approved.

On motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It Resolved that a dividend of one and three-fourths per cent (1¾%) on the preferred capital stock of this Company be and the same is hereby declared for the quarter ending December 31, 1926, payable January 25, 1927, out of the surplus profits of the Company to the Preferred Stockholders of the Company of record as of the close of business December 31, 1926, in proportion to their respective holdings.

On motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It Resolved that a dividend of nineteen and one-fourth per cent (19¼%) on the preferred capital stock of this Company be and the same is hereby declared in payment of the unpaid accumulated dividends on said preferred capital stock of the Company payable January 25, 1927, out of the surplus profits of the Company to the preferred stockholders of the Company of record as of the close of business December 31, 1926, in proportion to their respective holdings.

On motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It Resolved that a dividend of Seven Dollars ($7.00) on each share of the Class A common stock of Shaffer Oil and Refining Company be and the same is hereby declared, payable January 25, 1927, out of the surplus or net profits of the Company, to the holders of the Class A common stock of the Company, of record on its books at the close of business December 31, 1926 and that the Secretary of the Company be and he is hereby authorized and directed to pay said dividend by check

and to do all other things necessary for the payment of said dividend as aforesaid.

On motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It Resolved that a dividend of Seven Dollars ($7.00) on each share of the common stock of Shaffer Oil and Refining Company be and the same is hereby declared, payable January 25, 1927, out of the surplus or net profits of the Company, to the holders of the common stock of the Company, of record on its books at the close of business December 31, 1926; and that the Secretary of the Company be and he is hereby authorized and directed to pay said dividend by check and to do all other things necessary for the payment of said dividend as aforesaid.

On motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It Resolved by the Board of Directors of this Company that any action previously taken by this Board relative to the payment of fees to directors for attendance at meetings of the Board, be and the same hereby rescinded.

On motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It Resolved by the Board of Directors of this Company that each member of the Board of Directors of this Company be allowed a fee of Twenty Dollars ($20.00) for attendance at each meeting of the Board.

On motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It and It Is Hereby Resolved by the Board of Directors of Shaffer Oil and Refining Company that the line of route of the proposed two inch pipe line of the Company in Creek County, Oklahoma, as surveyed and represented in the map presented to this meeting be and the same is hereby adopted as the definite location of the said pipe line from and to the points mentioned therein:

Be It Further Resolved that a copy of the said map which has been prepared to be filed for the approval of the Secretary of the Interior in order that the Company may obtain the benefits of the act of Congress approved March 11, 1904 (33

Stat., 65), entitled "An Act authorizing the Secretary of the Interior to grant right-of-way for pipe lines through Indian Lands", be inserted in the minute book of the Company immediately following this resolution.

(Here is Shown a Map of the Pipe Line)

There being no further business to come before the meeting, the same was, on motion duly made, seconded and carried, adjourned.

Signed: M. A. MORRISON, Secretary.

Regular Meeting of Board of Directors—Shaffer Oil and Refining Company, April 11, 1928.

The regular weekly meeting of the Board of Directors of Shaffer Oil and Refining Company was held at the office of the Company, 231 South LaSalle Street, Chicago, Illinois, at two o'clock in the afternoon of that day.

The following directors were present: R. J. Graf, John L. Grey, H. C. Cummins, W. R. Francisco, L. B. Riddle, B. L. Majewski, O. G. Corns, J. H. Briggs, W. E. Moody, constituting a majority of the board and a quorum for the transaction of business.

Absent: J. J. O'Brien, M. A. Morrison, B. W. Lynch, Richard K. Huey, F. W. Stehr, R. G. Hunt.

On motion duly made, seconded and carried, the following resolution was unanimously adopted:

Whereas it is necessary for the business of this Company to borrow money and for that purpose to authorize the creation and issuance of its corporate notes, to be known as Six Per Cent Convertible Gold Notes, in the aggregate principal amount of Ten Million Dollars ($10,000,000).

Therefore, Be It and It Is Hereby Resolved by the Board of Directors of Shaffer Oil and Refining Company that corporate notes of this Company be issued from time to time to the aggregate principal amount of Ten Million Dollars ($10,000,000): (Here follows a detailed description of the type of notes to be issued. Also there is included in these meetings the "Trust agreement by the Shaffer Oil and Refining Company and Union Trust Company, trustee, March 1, 1928," the agreement under which these notes were to be issued.)

The Chairman stated to the meeting that this Company was indebted to Standard Gas and Electric Company in the amount of Eleven Million One Hundred Twenty-Two Thousand Four Hundred Dollars (11,122,400), Four Million Two Hundred Fifty Thousand Dollars ($4,250,000) of which was represented by 6% Gold Notes of this Company due December 31, 1931, and the remaining Six Million Eight Hundred Seventy-two Thousand Four Hundred Dollars ($6,872,400) of which was owing on open account. He also stated that Standard Gas and Electric Company had offered to purchase from this Company two hundred twenty-two thousand four hundred forty-eight (222,448) shares of the common stock of this Company and in payment therefor to release and cancel said indebtedness of Eleven Million One Hundred Twenty-two Thousand Four Hundred Dollars ($11,122,400) from this Company to Standard Gas and Electric Company.

After a discussion, the following resolutions were, upon motion duly made, seconded and carried, unanimously adopted:

Whereas Standard Gas and Electric Company has offered to purchase from this Company two hundred twenty-two thousand four hundred forty-eight (222,448) shares of the common stock of this Company at the price of Fifty Dollars ($50.00) per share, or an aggregate of Eleven Million One Hundred Twenty-two Thousand Four Hundred Dollars ($11,122,400).

Therefore, Be It and It Is Hereby Resolved by the Board of Directors of Shaffer Oil and Refining Company that said offer of said Standard Gas and Electric Company be and the same is hereby accepted and that this Company sell said stock to said Standard Gas and Electric Company for said sum.

Upon motion duly made, seconded and carried, the following resolutions were unanimously adopted:

Whereas, pursuant to resolutions adopted by this Board at this meeting, this Company has authorized the sale of two hundred twenty-two thousand four hundred forty-eight (222,448) shares of its common stock for the sum of Eleven Million One Hundred Twenty-two Thousand Four Hundred Dollars ($11,122,400).

And Whereas, in the judgment of this Board it is advisable and to the best interests of this Company that of the consideration of Eleven Million One Hundred Twenty-Two Thousand Four Hundred Dollars ($11,122,400) to be received by this Company for said shares of stock as aforesaid, Nine Million Nine Hundred Twenty-three Thousand Four Hundred Nineteen Dollars and forty cents ($9,923,419.40) shall be capital and the remaining One Million One Hundred Ninety-eight Thousand Nine Hundred Eighty Dollars and sixty cents ($1,198,980.60) shall be surplus, of this Company.

Therefore, Be It and It Is Hereby Resolved by the Board of Directors of Shaffer Oil and Refining Company that of the consideration of Eleven Million One Hundred Twenty-two Thousand Four Hundred Dollars ($11,122,400) to be received as aforesaid, Nine Million Nine Hundred Twenty-three Thousand Four Hundred Nineteen Dollars and forty cents ($9,923,419.40) shall be capital, and One Million One Hundred Ninety-eight Thousand Nine Hundred Eighty Dollars and sixty cents ($1,198,980.60) shall be surplus, of this Company.

The Chairman stated to the meeting that arrangements had been made for the conversion by Standard Gas and Electric Company of the ninety thousand (90,000) shares of Convertible Preferred Stock, $7.00 Cumulative, of this Company owned by it into one hundred eighty thousand (180,000) shares of common stock of this Company.

Upon motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It and It Is Hereby Resolved that the proper officers of this Company are hereby authorized to execute, issue and deliver to Standard Gas and Electric Company one hundred eighty thousand (180,000) shares of the common capital stock of this Company upon surrender to this Company for conversion into said common stock, of ninety thousand (90,000) shares of the Convertible Preferred Stock, $7.00 Cumulative.

W. R. FRANCISCO, Secretary.

Adjourned Regular Meeting of Board of Directors Shaffer Oil and Refining Company, March 9, 1928.

(Persons present are shown in an exhibit which appears in this record as Trustee's Exhibit T. In the minutes of this

meeting there appears an approval of the agreement of March 6, 1928, entitled "Agreement between Shaffer Oil and Refining Company and H. M. Byllesby and Company, Janney and Co. and Federal Securities Corporation—In re Purchase and sale of $10,000,000 principal amount of 6% Convertible Gold Notes, due March 1, 1933, of Shaffer Oil and Refining Company", which agreement is set out in the minutes and is signed by J. J. O'Brien as president of Shaffer Oil and Refining Company and J. H. Briggs as vice-president of H. M. Byllesby and Company. The resolution approving the agreement appears in the minutes as follows:

"Upon motion duly made, seconded and carried, the following resolutions were unanimously adopted:

Be It and It Is Hereby Resolved by the Board of Directors of Shaffer Oil and Refining Company that the Agreement submitted to this meeting, dated March 6, 1928, and executed on behalf of this Company by J. J. O'Brien, its President, between Shaffer Oil and Refining Company, as party of the first part, and H. M. Byllesby and Company, Janney and Co. and Federal Securities Corporation (designated in said agreement as the "Bankers"), as parties of the second part, whereby this Company agreed to sell, and said Bankers agreed to purchase, upon the terms and conditions therein set forth, Ten Million Dollars ($10,000,000) principal amount of Six Per Cent Convertible Gold Notes of this Company, to be dated as of March 1, 1928, to be payable March 1, 1933, and to bear interest at the rate of six per cent (6%) per annum, be and the same is hereby confirmed."

(By the terms of this agreement it is provided for the sale of a $10,000,000 note issue, of which Five Million Dollars was to be taken by H. M. Byllesby and Company and the balance by the other two "Bankers". Part of the agreement so approved, reads as follows:)

"Said Standard Gas and Electric Company shall purchase, at the price of Fifty Dollars ($50) per share, two hundred twenty-two thousand four hundred forty-eight (222,448) shares of said common stock and, in payment therefor shall release and cancel Eleven Million One Hundred Twenty-two Thousand Four Hundred Dollars ($11,122,400) of indebtedness from the Company to Standard Gas and Electric Company.")

Adjourned Regular Meeting of Board of Directors Shaffer Oil and Refining Company—February 24, 1930.

(An adjourned regular meeting of the Board of Directors of Shaffer Oil and Refining Company was held at the office of the Company, 231 South LaSalle Street, Chicago, Illinois, on the 24th day of February, 1930, at two o'clock in the afternoon of that day, pursuant to adjournment. Those present and absent at this meeting appears in this record as Trustee's Exhibit T). The following motion was carried:

"Upon motion duly made, seconded and carried, the following resolution was unanimously adopted:

Be It Resolved by the Board of Directors of this Company that the officers of this Company be and they hereby are authorized and directed to sell from the Treasury of this Company, not to exceed twenty thousand (20,000) shares, of the common capital stock of this Company at prices of not less than Fifty-two Dollars and Fifty Cents ($52.50) per share and said officers are hereby further authorized to do any and all other things necessary and proper to carry out said sale.

There being no further business to come before the meeting, the same was, on motion duly made, seconded and carried, adjourned.

M. A. MORRISON, Secretary of the Meeting."

Regular Meeting of Board of Directors—Deep Rock Oil Corporation, April 27, 1932.

The regular meeting of the Board of Directors of Deep Rock Oil Corporation was held at the office of the Company, 231 South LaSalle Street, Chicago, Illinois, on the 27th day of April, 1932, at two o'clock in the afternoon of that day.

The following directors were present: J. J. O'Brien, H. C. Cummins, R. J. Graf, B. L. Majewski, J. H. Briggs, M. A. Morrison, B. W. Lynch, constituting a majority of the Board and a quorum for the transaction of business.

Absent: John L. Gray, W. R. Francisco, L. B. Riddle, R. K. Huey, W. E. Moody.

Upon motion duly made, seconded and carried, the following resolutions were unanimously adopted:

Whereas the Six Per Cent Convertible Gold Notes of this

Company authorized by that certain Trust Agreement between this Company and Union Trust Company (now by consolidation with the First Trust and Savings Bank, First Union Trust and Savings Bank), as Trustee, dated March 1, 1928, of which there are Ten Million Dollars ($10,000,000) principal amount now outstanding, mature on March 1, 1933;

And Whereas it is advisable and to the best interests of this Company that the maturity of said Notes be extended for four (4) years from March 1, 1933, to March 1, 1937;

Now, Therefore, Be It and It Is Hereby Resolved that, in order to induce the holders of said Notes to consent to such extension, it is advisable and for the best interests of this Company that this Company agree to pay the holders of Notes who extend the date of maturity thereof from March 1, 1933, to March 1, 1937, a sum of money equal to interest at the rate of one per cent (1%) per annum on the principal amount of their Notes from the date they present their Notes for extension of maturity to March 1, 1933 and further agree to pay interest from March 1, 1933, to March 1, 1937, on said Notes so extended, semi-annually, at the rate of seven per cent (7%) per annum.

Be It and It Is Hereby Further Resolved that, in order to provide for the extension of the date of maturity of said Notes from March 1, 1933, to March 1, 1937, the payment of the sum of money as hereinabove provided and the payment of interest on said Notes, the maturity of which has been extended, during the period from March 1, 1933, to March 1, 1937, the proper officers of this Company be and they are hereby authorized and directed to enter into an agreement with the First Union Trust and Savings Bank, as Depositary, said agreement to be in words and figures substantially as follows, to-wit: (Here follow copies of the various instruments to be used in securing this extension of time.)

Be It and It Is Hereby Resolved that the President or any Vice President of this Company be and he is hereby authorized and instructed to enter into an agreement with H. M. Byllesby and Company in substantially the following form to obtain the services of said H. M. Byllesby and Company in using its best efforts in obtaining the consent of the holders of the Six Per Cent Convertible Gold Notes of the Company to the extension of the maturity date of the Notes from March

1, 1933, to March 1, 1937, and that the officers of this Company be and they are hereby authorized to pay said H. M. Byllesby and Company for its services a sum equal to four per cent (4%) of the principal amount of each and every Note, the maturity of which is extended from March 1, 1933, to March 1, 1937: (This agreement with H. M. Byllesby and Company is a letter to said Company from Deep Rock Oil Corporation and appears in this record as Exhibit 1 of Francisco's Interrogatories).

Trustee's Exhibit Y.

(Trustee's Exhibit Y is the 1930 lease between Deep Rock and the Refining Company, and appears in this record as Exhibit B of the pleading entitled, "Amended Objections of Trustee in Bankruptcy to Claim of Standard.")

Trustee's Exhibit Z.

(This is a certified copy of the original Articles of Incorporation of the Shaffer Oil and Refining Company (afterwards changed to Deep Rock Oil Corporation) under date of May 31, 1919, issued according to the laws of the State of Delaware, its domicile. It was vested with the broad and general powers usually contained in Delaware corporations, including power to own real and personal property and operate oil and gas leases and refineries, manufacture crude oil and crude oil distillates, to crack gasoline, issue bonds, execute indentures and acquire patent rights, trade-marks, trade-names, and to acquire and own stock in other corporations, including the right to vote such stock. Its authorized capital stock was 1,000,000 shares, divided into 500,000 shares of common stock without any nominal or par value, and 500,000 shares of preferred stock of the value of $100.00 per share. The preferred stock carried cumulative dividends at the rate of, but not exceeding (except on certain conditions not important) 7 per cent per annum payable in equal quarterly installments as may be determined by the Board of Directors. The Articles of Incorporation also provided that

"Said preferred stock shall have *no voting power on any question,* but should said dividend upon said preferred stock be not paid or paid at a rate less than 7% per annum and remain so unpaid or at a rate of less than 7% per annum for

a period of 6 months, then and so long as no dividend is paid on said preferred stock or a dividend is paid at a rate of less than 7 per cent per annum, the said preferred stock, in respect of which no dividend is paid or a dividend is paid at a rate of less than 7% per annum shall be entitled to the same voting power thereon as belong to the common stock, but upon the resumption of the payment of dividends at the rate of 7% per annum the voting power upon such stock shall again cease."

This non-voting power of the preferred stock continued throughout all the amendments to the Articles of Incorporation, with the qualifications above mentioned. The original subscribers for the capital stock subscribed for 10 shares. In accordance with the laws of Delaware the Articles of Incorporation authorized the Board of Directors to appoint an Executive Committee, which is empowered to exercise all the authority possessed by the Board of Directors, as defined by the By-Laws, except as otherwise required by the Delaware statutes.)

Trustee's Exhibit Z-1.

(This is a certified copy of the first amended Articles of Incorporation of the Shaffer Oil and Refining Company under date of June 6, 1921. This amendment changed the authorized capital stock from 1,000,000 shares, divided into 500,000 shares of common stock without par value and 500,000 shares of preferred stock of 100.00 par value per share, to 1,000,000 shares divided into 460,000 shares of common stock, without par value, 40,000 shares of Class A common stock of $1.00 par value per share, and 500,000 shares of preferred stock of $100.00 per share, the preferred and Class A common stock to have the status set forth in the amendment, now immaterial to any issue in this case.)

Trustee's Exhibit Z-2.

(This is a certified copy of an amendment of the Articles of Incorporation of The Shaffer Oil and Refining Company under date of June 7, 1921, and provides for a reduction of the capital stock by the surrender of 50,000 shares of preferred stock and 80,000 shares of common stock in exchange for 40,000 shares of Class A common stock of the par value of $1.00 per share.)

Trustee's Exhibit Z-3.

(This is a certified copy of the third amendment to the Articles of Incorporation of the Shaffer Oil and Refining Company, dated April 12, 1928, amending the Articles so as to authorize the issuance of 1,450,000 shares in lieu of the preferred and common stock outstanding or previously authorized, consisting of 450,000 shares of preferred and 1,000,000 shares of common. The amended articles also provided that 140,000 shares of preferred stock of $100.00 par value theretofore issued pursuant to the Articles of Incorporation as previously amended and outstanding, shall remain as outstanding preferred stock without par value, of a series designated "Convertible Preferred Stock, $7.00 Cumulative", with the rights and provisions set forth in Article Fourth, and certificates for said convertible preferred stock shall be issued in place of and upon surrender of the certificates for the $100.00 par value preferred stock outstanding, etc. The maximum dividend rate on the Convertible Preferred Stock, $7.00 Cumulative, shall be $7.00 per share per annum and the maximum dividend rate of each other series should not exceed $7.00 per annum per share, as may be fixed by the Board of Directors. The holders of the preferred stock of no par value under this amendment of April 12, 1928, "shall have no voting power other than that specifically provided by law, except that if, when and so long as at any time the stock of such series shall be in default in respect of the cumulative dividends fixed for such series to an amount which, computed to the end of the last preceding quarterly dividend period, shall exceed a sum equal to one-half of the annual cumulative dividend rate, each share of preferred stock of such series shall be entitled to one vote". The holders of common stock shall be entitled to one vote for each share of common stock standing their respective names.)

Trustee's Exhibit Z-4.

(This is a certified copy of an amendment to the Articles of Incorporation of Shaffer Oil and Refining Company, under date of March 31, 1931, by which the name of Shaffer Oil and Refining Company was changed to "Deep Rock Oil Corporation".)

Receiver's Exhibit H.

(This exhibit is an agreement dated February 15, 1923 between Bradstreet Oil Company, seller, and J. C. Kennedy, Trustee, purchaser. Upon the representations of the seller that it owns not less than 2380 acres of land with not less than 486 barrels average daily production of oil net to the seller, and that the wells are fully equipped, and owns also oil in tankage, the buyer agrees to purchase and seller to sell all these properties, as more fully set out in schedules attached, for $600,000. The agreement is signed by L. G. Bradstreet as president of the Bradstreet Oil Company and J. C. Kennedy, trustee, and was executed in the City of St. Louis, Missouri, on February 16, 1923.)

Receiver's Exhibit "Jay".

(Receiver's Exhibit "Jay" is a Lease Agreement between the Deep Rock Oil and Refining Company and Shaffer Oil and Refining Company, dated October 1, 1925. A copy of this lease appears in this record as Exhibit A of "Amended Objections of Trustee in Bankruptcy to Claim of Standard." Attached to said lease is a list of the properties leased, under the following headings: (1) Developed Leases Owned by Deep Rock Oil and Refining Company Not Acquired from Bradstreet Oil Company; Developed Leases Acquired by J. C. Kennedy, Trustee from Bradstreet Oil Company.)

Claimant's Exhibit 1.

March 14, 1921

Mr. C. B. Shaffer, Chicago, Illinois.

Dear Mr. Shaffer: As I have endeavored to make clear, our interests wish to reach immediately a clear and distinct understanding of the basis of settlement of your interests with the Shaffer Oil & Refining Company.

Time is an all-important feature in this matter and we cannot wait beyond some definitely fixed date, and which I must ask you to fix at the present moment in order to complete the final delivery and transferrance of the monies, securities and other matters involved in the settlement.

Since leaving you, and before formally bringing the matter before my associates, I feel it is necessary that I should have

from you the following distinct understanding, which is what you stated to me earlier this morning, namely:

In complete discharge and settlement of all matters involved we are to pay you:

Cash	$ 10,000.00
Six month's note	500,000.00
Twelve Month's Note	240,000.00

These notes to be secured by the Six Per Cent Coupon Notes of Standard Gas & Electric Company maturing 1935, and these notes to be lodged at 60 as collateral; that is to say, the $240,000.00 note is to have $400,000.00 of the Standard 1935's as collateral, and the $500,000.00 note is to have $833,000.00 of the Standard 1935's as collateral.

Above notes and collateral subject to approval of your attorney.

In addition, we are to deliver to you the cancellation of the lease of the Shaffer Company on the Bull Bayou, Louisiana tract; this cancellation to be effective as of the date of the execution and completion of this agreement.

At the date of the cancellation of the Louisiana Bull Bayou lease we are to pay all bills accumulated to that date and we are to receive and own all of the bills and accounts receivable of that lease.

You are to have the privilege of storing, at your own expense, or moving, at your own expenses, from the Cushing refinery all of the apparatus, either now on storage or erected, which has been furnished by the S. S. E. Company, or which has been specifically provided for the purpose of operating the S. S. E. units by the Shaffer Company, as per Exhibit B; and we will deliver to you a full release of Shaffer Oil & Refining Company of all claims under the S. S. E. contract.

You are to have the privilege of having this material remain on storage if you so elect for a period of eight months.

You also have the privilege of leaving on storage, without charge therefor, for a similar period of eight months, certain gas oil which is now stored on the Cushing tank farm, and that when you desire to remove this gas oil we will transport same, at your expense, from the tank to the loading rack.

In addition, we will obtain the release of Shaffer Oil & Re-

fining Company to you of 1920 acres, located as set forth in the enclosed memorandum, drawn up by yourself, with the understanding that you are to select this acreage at the time of the signing of the agreement.

On your part, you are to deliver the following:

A cancellation in full for all claims against Shaffer Oil & Refining Company for oil which they have formerly borrowed from you and which is unreturned.

You are to deliver an annulment of the S. S. E. contract with the Shaffer Oil & Refining Company.

You are to deliver $200,000.00 par value of bonds of the Shaffer Oil & Refining Company, $5,000,000.00 par value of the preferred Stock of Shaffer Oil & Refining Company and 80,000 shares of the Common stock of Shaffer Oil & Refining Company.

You are to deliver the resignations of yourself, J. K. D. Shaffer, R. L. Erb, W. W. VanWinkle, C. E. Lewis and any other of the officers, Directors and employes of the Shaffer Oil & Refining Company who have been placed there by yourself, and whose removal we may request at the time of the signing of the agreement.

You also agree to furnish the resignation of yourself and your other nominee on the Voting Trust of Shaffer Oil & Refining Company Common Stock and to join with us, if so desired, in a dissolution of the Voting Trust.

There will be delivered a quittance of claims as between yourself and ourselves and as between yourself and the Shaffer Oil & Refining Company.

All legal matters subject to the approval of the attorney for Shaffer and the attorney for H. M. Byllesby & Company.

The foregoing is my distinct understanding of the terms mentioned by you this morning, and which you accepted, and I wish to know that there is no misunderstanding of any description; also to impress upon you that it is important that this matter be brought to a settlement not later than the next ten days.

Yours very truly,

JJO/TJM J. J. O'BRIEN

The foregoing is accepted, C. B. Shaffer.

Claimant's Exhibit 2.

H. M. Byllesby & Co., Engineers, Continental and Commercial Bank Building, Chicago

May 20, 1919.

Mr. C. B. Shaffer, Ft. Dearborn Bank Bldg., Chicago, Illinois.

Dear Sir: Referring to the agreement between yourself and H. M. Byllesby and Company dated May 20, 1919, wherein said H. M. Byllesby and Company agrees to purchase from you for the net consideration of $15,580,000 the properties known as C. B. Shaffer No. 2, Theta Oil Company and Consumers Refining Company, we the undersigned, H. M. Byllesby, President and Director of said H. M. Byllesby and Company, Arthur S. Huey, Otto E. Osthoff and J. J. O'Brien, Vice-Presidents and also directors of said company, and R. J. Graf, Secretary and director of said Company, hereby personally guarantee that said H. M. Byllesby and Company will, in all respects carry out the covenants and agreements in said agreement contained and upon the delivery to said Company of proper instruments of conveyance, pay to you the considerations in the manner and form set out in No. 4 of said agreement.

Copy of said contract of May 20, 1919 is attached hereto and marked Exhibit A.

Respectfully yours,

(Signed) H. M. BYLLESBY,
" ARTHUR S. HUEY,
" J. J. O'BRIEN,
" OTTO E. OSTHOFF.

Agreement Between C. B. Shaffer and H. M. Byllesby and Company.

May 20, 1919

This Agreement entered into this 20th day of May, 1919 by and between C. B. Shaffer of the City of Chicago, Illinois, party of the first part, and H. M. Byllesby and Company, a corporation organized and existing under and by virtue of the laws of the State of Delaware, party of the second part, Witnesseth:

That for and in consideration of the sum of One Dollar

($1.00) paid to the party of the first part by the party of the second part, the receipt whereof is hereby confessed and acknowledged, it is mutually agreed as follows:

1. Said party of the first part shall cause to be formed a corporation under the laws of the State of Delaware. Said Company shall have five hundred thousand (500,000) authorized shares of common stock without par value, and five hundred thousand (500,000) shares of preferred stock of the par value of One Hundred Dollars ($100) each and an issue of Fifteen Million Dollars ($15,000,000) of First Mortgage Bonds on all the hereinafter mentioned properties to be acquired or additions thereto:

(a) The common stock of without par value shall be sold at One Dollar ($1.00) per share.

(b) The preferred stock to be non-voting; seven per cent accumulative from date of issue with further provision that after the common stock has received seven per cent in any year, both preferred and common stock shall share the same rate of dividends for that year up to ten per cent; after ten per cent has been paid on both preferred and common stock in any year, the preferred stock shall be entitled to one-fourth of one per cent of every additional one per cent paid on the common stock in any given year.

(c) The bonds are to be a ten year first mortgage bond bearing interest at the rate of six per cent per annum, with an annual sinking fund graduated so as to amortize the bonds in ten years from date thereof in proportionate amounts.

2. The said party of the second part shall purchase from the Company to be formed Eleven Million Dollars ($11,000,000) par value of bonds and Five Million Dollars ($5,000,000) par value of preferred stock and one hundred twenty thousand (120,000) shares of the common stock of the Company to be formed and pay therefor Fifteen Million Two Hundred Thousand Dollars ($15,200,000) in cash, such cash to be applied to payment of cash consideration to the property hereinafter described as C. B. Shaffer No. 2, and the purchase of the physical property of the Consumers Refining Company and provide cash for the Treasury.

3. The said party of the first part shall convey to the Company to be formed the following property, to-wit:

(a) All and singular the oil and gas leases owned and held by what is known as C. B. Shaffer No. 2, developed and

undeveloped in the State of Oklahoma and not to exceed ten thousand (10,000) acres in the State of Texas, including the derricks, casing, piping, tools, water lines, pipe lines, pumping stations, pipe and supplies; twenty-three (23)—fifty-five thousand barrels (55,000) capacity oil storage tanks on the Read and Williams tank farms, field tanks, engines, boilers, machinery and appliances, whether the same are attached in operation, in storage or reserved for operation, except the following leases in Oklahoma now in litigation:

> The Southeast Quarter of Southwest Quarter, Section Three (3) Township Seventeen (17), Range Seven (7) East, and also Southwest Quarter of Northeast Quarter, Section Thirty-three (33), Township Seventeen (17), Range Seven (7) East,

that remain the property of C. B. Shaffer, but including all physical property used and held in the business of C. B. Shaffer No. 2 in development and production of oil and gas on the leases aforesaid, subject to foregoing exceptions:

(b) All the leases of the Theta Oil Company for oil and gas purposes in the State of Kansas, drilled and undrilled, including the equipment of wells operated, or in process of drilling, including all equipment and personal property used or useful in connection with the operation of said Company or on said leases designed for that purpose.

(c) The physical and real property of the Consumers Refining Company, inclusive of its stock held in the Home Oil Company, the real estate held in fee simple, together with the improvements thereon, consisting of stills, buildings, tanks and complete plant with appurtenances as operating at this date, tank cars owned, iron barrels, furniture and fixtures, certain merchandise and supplies on hand and personal property used or useful to the operation of the refinery and now on the premises. Further, the Company to be formed to take over so much only of the accounts receivable of the Consumers Refining Company that are due to it from the Home Oil Company and distributing Department of the Consumers Refining Company and no other book assets. The Company to be formed to assume and pay all notes payable by the Consumers Refining Company to the Paragon Oil Company of approximately Forty-nine Thousand Dollars ($49,000), and also all liabilities of the Distributing Department of the Consumers Refining Company, the last named Company agreeing

to pay and discharge all its liabilities otherwise existing and incurred prior to January 1, 1919.

3. The leases hereinbefore referred to, to be separately listed in substantial detail for identification. The leases acquired to be strictly limited to such as may be set forth in such list. It being understood, however, that the leases have been taken on usual printed forms in the several states where situate and under which operations have been carried on, and the party of the first part does not warrant or guaranty the same in any manner whatever, but assigns or conveys only such title thereto as he possesses, and is relieved of any liability therefor.

It is understood that the leases are confined to such as are in force at the date of actual transfer hereafter, and not as existed January 1, 1919, some then and since held having been surrendered and others taken since that date.

4. In consideration for said property, the Company to be formed shall pay therefor the net sum of Fifteen Million Five Hundred Eighty Thousand Dollars ($15,580,000) in the manner following:

(a)	C. B. Shaffer No. 2 Cash	$ 7,000,000
	Note of H. M. Byllesby and Company and Standard Gas and Electric Company, or both, for four months with interest at 6%	1,000,000
	Said note shall be secured by 10,000 shares par value of the preferred stock of the Company, to be issued in the name of C. B. Shaffer and endorsed by him as collateral for the payment of such note.	
	44,000 shares of preferred stock, 7% Cumulative dividends, par value $100 of the Company to be formed,-	4,400,000
	80,000 shares common stock without par value of the Company to be formed, rated at $1.00 per share,	80,000
(b)	Theta Oil Company	
	6,000 shares *proeferred* stock of Company to be formed,	600,000
(a)	Consumers Refining Company	
	Cash to purchase physical property from respective holders thereof	2,500,000
		$15,580,000

(d) The Company to be formed shall pay to the owners in C. B. Shaffer No. 2, all United States Internal Revenue Tax whatsoever that may be assessed by the Government for the calendar year 1919 arising from the profits of the sale of the C. B. Shaffer No. 2 property to the Company to be formed, and in addition such increase of the surtax as provided in Article 13 of Regulation 45 promulgated by the Internal Revenue Department, which said owners on C. B. Shaffer No. 2 property may be assessed on an amount not to exceed Two Hundred Thousand Dollars ($200,000) for each of said owners for other income than that derived from the profits of the sale of C. B. Shaffer No. 2 property because of such sale and profits derived therefrom. It being the intention that there shall be paid by the Company in addition to the tax upon the profits derived from such sale, only the difference between the surtax that would be payable by the owners on an amount of income not to exceed Two Hundred Thousand Dollars ($200,000) each, if no sale had been made of profits derived, and the increased surtax on said Two Hundred Thousand Dollars ($200,000) for each of said owners resulting because of profits derived by such owners from such sale. To provide for payment of such taxes, there shall be reserved and set aside by the company to be formed and held within its Treasury, the sum of Three Million Dollars ($3,000,000), the same and no part of which shall be used for any other purpose until such taxes have been fully paid.

5. The Company to be formed shall pay to the said party of the first part, cash, and deliver the note and stocks hereinbefore mentioned upon delivery to it of all necessary and proper deeds, assignments to pass title and possession of said properties to it, said cash, stocks and note shall be delivered simultaneous with said deeds and assignments. All to be done on or before July 1, 1919, and in the event of delay because of matters beyond control of party of second part an extension of not more than fifteen days will be given.

6. The Company to be formed shall perform the obligations of all contracts existing January 1, 1919, having reference to purchase or sale of gas, casinghead gas, crude or refined oil, gasoline or by-products as between C. B. Shaffer and Consumers Refining Company and any outside corporations or individuals. All such contracts are set forth in the schedule hereto attached and made a part hereof.

7. The transfer of all the properties hereinbefore mentioned to the Company to be formed shall relate to and become effective as of January 1, 1919. The said Company to be formed shall receive the profits of the said properties and business from January 1, 1919 until it actually takes over and pays for the properties as herein provided; assuming all liabilities accrued since said date, and until transfer is accomplished as above set forth, the Company to be formed shall pay to the owners of the properties consolidated, interest in cash at the rate of six per cent per annum from the principal sum of Fifteen Million, Five Hundred Thousand Dollars ($15,000,000) from January 1, 1919 to the date of transfer.

8. That the said party of the first part shall procure from the Barbara Oil Company a contract with the Company to be formed to sell its entire production of crude oil to the Company to be formed at the rate per barrel equal to the price others may be willing to pay for the same, such contract to cease at any time the Barbara Oil Company may sell its property.

9. That H. M. Byllesby, *Arthus* S. Huey, Otto E. Osthoff, and J. J. O'Brien respectively, are to continue in active service of the Company to be formed, devoting their time and attention to its best interests for such time as C. B. Shaffer shall remain with the Company, as provided in the next succeeding paragraph; that the present organization of the business of C. B. Shaffer No. 2, the Consumers Refining Company and the Theta Oil Company, as may be mutually determined, shall be retained as a department of the Company to be formed; that C. B. Shaffer shall become a director and member of the Executive Committee and be President of the Company to be formed in charge of the oil and gas interests in all their details. It is further agreed that the number of directors of the Company to be formed shall be ten (10), of which C. B. Shaffer shall nominate five (5), H. M. Byllesby is to be elected a director and chairman of the Board of Directors of the Company to be formed.

10. The party of the first part shall assume the defense of all suits now pending or which may be brought for any cause of action existing prior to or on January 1, 1919 and shall pay all judgments that may be recovered in such suits to the extent of recoveries for liability prior to that date and the

Company to be formed shall pay for liability incurred after that date.

11. The said parties hereto agree to form a voting trust of all the common stock issued to them by the corporation to be formed, which trust shall exist for a period of ten (10) years. The said parties agree to deliver or cause to be issued to the trustees certificates of the capital stock of the Company to be formed, to which they are entitled, such certificates to be duly assigned to said trustees accompanied by powers of attorney properly executed, permitting the transfer into the names of the trustee on the books of the Company to be formed of the shares of common stock respectively owned by them and represented by such certificates. Each of the parties hereto shall name two trustees. The certificate issued by the Trustees to the parties hereto for such common stock shall be in negotiable form.

In Witness Whereof, the said party of the first part has hereunto set his hand and seal and the said party of the second part has caused these presents to be executed in its name by its President and Secretary and its corporate seal thereto affixed, the day and year first above mentioned.

(Signed) C. B. SHAFFER (Seal)
H. M. BYLLESBY AND COMPANY,
By (Signed) H. M. BYLLESBY,
President.

Corporate Seal

Attest: (Signed) R. J. GRAF, Secretary.

Claimant's Exhibit 3.

May 20, 1919.

C. B. Shaffer, Esq., Chicago, Illinois,

Dear Sir: Referring to the contract of this date executed between yourself and H. M. Byllesby & Company, providing for the purchase and transfer to a company to be formed of the properties heretofore known as C. B. Shaffer No. 2, Theta Oil Company, and Consumers Refining Company, all as fully set forth in said contract, we hand you herewith certified check in your favor for $200,000.00, as a payment on account of the obligations on your part under this contract. It is understood that this check is delivered as an evidence of good faith, but

with the completion of the contract it is to apply upon the payment required under the terms of the contract referred to; that if, on our part we fail to comply with the terms of the contract, the check is to be regarded as a forfeit; if, on the other hand, you fail to comply with the terms of the contract, the check is to be returned to us.

It is also understood and agreed between us that of the $6,000,000.00 par value of Seven Per Cent Preferred Stock of the new company, which is to be received by you in part payment, as set forth in the said contract, $1,000,000.00 par value is to be purchased from you at par by either Standard Gas & Electric Company or H. M. Byllesby & Company within four months of the date of the contract, and the remaining $5,000,000.00 par value preferred stock to be received by you, you will agree to keep off the market until after the completion of the payments and transfers of all the properties and all the details embraced within the said contract, and that after the full completion of the contract if you desire to sell any of this preferred stock you will first offer it to H. M. Byllesby & Company and give us a reasonable time in which to declare whether or not we will purchase.

Referring to the 80,000 shares of profit-sharing stock to be delivered to you in further part payment of the terms and conditions of said contract, it is understood and agreed that you, likewise, will keep this stock off of the market until after the completion of all the terms and conditions of said contract, and that after that period if you will desire to dispose of any of this stock you, again, will give H. M. Byllesby & Company or Standard Gas & Electric Company the opportunity of purchasing or handling the sale of this stock in connection with such stock as H. M. Byllesby & Company or Standard Gas & Electric Company may have to market.

The intention and purport of all the foregoing being in all good faith to carry out the objects of the said contract referred to; to in every way sustain the proper market value of the securities of the new company, and that to this end we will work in entire cooperation throughout.

The amount of money being provided by Byllesby & Company and the Standard Gas & Electric Company for this transaction reaching, as it does, over $16,000,000 requires prudent and careful handling of the market condition to avoid an un-

fortunate situation developing, which both of us do not wish to have take place.

Your acceptance herein in writing will constitute an agreement between us supplementary to, and part of, the said agreement executed between us this relative to the purchase and transfers of these properties.

H. M. BYLLESBY & COMPANY,
By J. J. O'BRIEN, Vice-President.
STANDARD GAS & ELECTRIC COMPANY,
By H. M. BYLLESBY, President.

I agree to the foregoing; C. B. SHAFFER.

Claimant's Exhibit 4

This Agreement made and entered into this 10th day of July, 1922, by and between Universal Oil Products Company, a corporation duly organized and existing under and by virtue of the laws of the State of South Dakota, having its principal office in the city of Chicago, State of Illinois, party of the first part, hereinafter referred to as "Universal" and Standard Gas and Electric Company, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, having its principal office in the city of Chicago, State of Illinois, party of the second part, hereinafter referred to as "Standard Co."

Witnesseth:

Whereas, Universal and R. J. Graf, Trustee, of Chicago, Illinois, have this date entered into an agreement whereby Universal has licensed said R. J. Graf, Trustee, the use of the so-called Dubbs Cracking Process under terms and conditions as set forth in the agreement referred to, copy of which is hereto attached;

And Whereas said Standard Co., has represented to Universal that said R. J. Graf, Trustee, represents interests owned or controlled by said Standard Co.;

And Whereas said R. J. Graf, Trustee, has entered into said contract on behalf of the said interests represented by said Standard Co., and said Universal has entered into said contract with R. J. Graf, Trustee, as a result of said representations made by said *Standrad* Co., and in further consideration of the

mutual undertakings of the parties hereto, it is agreed as follows:

1. Universal agrees to the assignment of said contract by R. J. Graf, Trustee, upon request of said Standard Co., to such corporation as said Standard Co. may designate, providing said corporation is acceptable to Universal, as assignee of said contract.

2. Universal agrees that, at the written request of Standard Co. it will grant additional license or licenses to Standard Co. or its nominee or nominees, which shall be a corporation or corporations owned, operated or controlled by Standard Co., for the erection and operation of not to exceed a total of ten units in addition to the ten units which may be erected and operated under said license agreement with R. J. Graf, Trustee; provided, however, that (a) Standard Co. shall furnish evidence satisfactory to Universal of the ability of such nominee or nominees to undertake and perform the terms and conditions on its or their part to be kept and performed of the license agreement for the erection and operation of said additional units, and said nominee or nominees shall be acceptable to Universal, as licensee or licensees, (b) said license agreement for the erection and operation of said additional units shall be upon the same terms and contain the same provisions, covenants, and conditions as those set forth in said license agreement with R. J. Graf, Trustee, and (c) said additional units shall be installed and operated in plant or plants other than the plant of R. J. Graf, Trustee, or his assigns, in which units are installed and operated under said license agreement with R. J. Graf, Trustee.

3. It is specifically understood and agreed that the licensee under the license agreement with R. J. Graf, Trustee whether operating as original licensee or as assignee under such agreement, shall, at the option of said Standard Co., have the right to *taken* an assignment of, and become the assignee under said license agreement, referred to in Article 2 hereof, for the installation and operation of said additional ten units, but such units shall be installed and operated in other plant or plants of such assignee than the plant in which the four units now to be erected under the said license agreement with R. J. Graf, Trustee, are to be installed; but, in the event said ten additional units shall be installed in more than one plant said assignee shall, prior to availing itself of the privilege of installing any

or all of said additional units, agree in writing with Universal that the provisions of Article 15 of the license agreement with R. J. Graf, Trustee, shall apply to each plant in which any or all said additional units shall be installed, and the assignment of the license to erect and operate such additional units shall be made subject to the provisions of this contract.

4. Universal agrees to forthwith erect and complete the installation of the four units specified in Article 11 of said contract with R. J. Graf, Trustee, at actual net cost to Universal under the following conditions:

(a) Said Standard Co. hereby unqualifiedly guarantees full payment for the cost of said units completely erected and *instlled* under plans and specifications furnished by Universal and built under Universal's direction. Said Standard Co. to promptly pay or cause to be paid to Universal from time to time during the course of construction as expenditures are made by Universal and evidence thereof furnished by Standard Co., the cost of said work as it proceeds until the four units are completely erected and installed.

(b) If the Guarantees as specified in said contract with R. J. Graf, Trustee, are not met, then Universal is to promptly reimburse said Standard Co. for the funds paid by Standard Co. towards cost of construction as herein provided, and Universal is to then promptly remove at its own expense from the premises on which they have been constructed, such units as do not comply with said Guarantees.

(c) Universal estimates the total cost of the four units to be erected and hereinabove referred to, completely installed under its plans and specifications, to be Two Hundred Thirty Thousand Dollars ($230,000) if one expansion chamber is installed for each unit, and Two Hundred Sixty Thousand Dollars ($260,000) if two expansion chambers are installed for each unit, and Universal guarantees that the total cost of the four units completely installed shall not exceed Two Hundred Seventy-six Thousand dollars ($276,000) if two expansion chambers are installed for each unit, and in the event the cost shall exceed said guaranteed amounts, the Universal will bear such excess cost itself without charge therefor to Standard Co. or the person for whom the four units are built at the request of Standard Co. under the terms of this agreement.

5. Universal agrees that if at any future time during the

life of the agreement with R. J. Graf, Trustee, referred to, Universal, its successors or assigns, grant better or more liberal terms to other licensees than are granted to R. J. Graf, Trustee, in contract herein referred to, such more liberal terms shall automatically extend to R. J. Graf, Trustee, or his assignee, providing, however, that said R. J. Graf, Trustee, or his assignee shall not at such time be in default of any of his obligations under said license agreement. The provisions of this Section 5 shall be applicable and inure to the benefit of the licensee or its assignee of said license for the construction and operation of said ten additional units.

UNIVERSAL OIL PRODUCTS COMPANY,
(Seal) By (Signed) H. J. HALLE, President.

Attest: (Signed) J. G. Alther, Secy.

STANDARD GAS AND ELECTRIC COMPANY,
By (Signed) J. J. O'BRIEN, Vice-President. (Seal)

Attest: (Signed) Herbert List, Asst. Sec.

Endorsed on Back: Approved, J. H. Roemer, Legal Dept.

(Claimant's Exhibit 5 is an agreement dated July 10, 1922 between the Universal Oil Products Company and R. J. Graf, Trustee, which is a royalty license to use the apparatus and process called the Dubbs Process in cracking oil, signed by the President and Secretary of the Universal Oil Products Company and by R. J. Graf, Trustee.)

(Claimant's Exhibit 6 is a letter from Universal Oil Products Company to R. J. Graf, Trustee, c/o H. M. Byllesby and Company, Chicago, Illinois, dated July 13, 1922, consisting of a contract to construct four (4) Dubbs Cracking Units on a site adjacent to the Shaffer Oil and Refining Company's plant, Cushing, Oklahoma, in pursuance with the license contract of July 10, 1922, and also a contract with Standard Gas and Electric Company on the same date; signed by officials of the Universal Oil Products Company and R. J. Graf, Trustee.)

(Claimant's Exhibit 7 is an agreement by the Universal Oil Products Company, entitled; "Agreement, Supplemental to License Contract, covering purchase of materials and con-

struction work." In consideration of the License Agreement, dated July 10, 1922, December 12, 1930, entered into with you, it is understood and agreed that: "Here follows an undertaking to supply materials, inspect plant, etc." The agreement is signed by officials of Universal, and "accepted" by Deep Rock Oil Corporation, by John L. Gray, Vice President and W. R. Francisco, Secretary.)

Claimant's Exhibit 9.

Excerpt From Directors' Meeting, Standard Gas and Electric Company.

April 4, 1928.

The Chairman stated to the meeting that the Company had received notice of a special meeting of the Stockholders of Shaffer Oil and Refining Company, to be held April 7, 1928, for the purpose of voting upon the question of authorizing the amendment of the Certificate of Incorporation of Shaffer Oil and Refining Company to provide for the reclassification of its capital stock.

He also explained the plans for the retirement of all the funded debt of Shaffer Oil and Refining Company, consisting of One Million Eight Hundred Forty-three Thousand Seven Hundred Dollars ($1,843,700) First Mortgage Six Per Cent Sinking Fund Convertible Gold Bonds, due June 1, 1929, Seven Million Five Hundred Thousand Dollars ($7,500,000) Two-Year Six Per Cent Gold Notes, due April 15, 1928, and Four Million Two Hundred Fifty Thousand Dollars ($4,250,000) Six Per Cent Gold Notes, due December 31, 1931, and also of substantially all of its indebtedness on open account, and for the reduction of its outstanding preferred stock, through the sale of Ten Million Dollars ($10,000,000) Six Per Cent Convertible Gold Notes of Shaffer Oil and Refining Company, the exchange by Standard Gas and Electric Company of Nine Million Dollars ($9,000,000) par value of Seven Per Cent Preferred Stock of Shaffer Oil and Refining Company for one hundred eighty thousand (180,000) shares, without par value of common stock of that Company and the cancellation by Standard Gas and Electric Company of said Four Million Two Hundred Fifty Thousand Dollars ($4,250,000) Six Per Cent Gold Notes and Six Million Eight Hundred Seventy-two Thousand Four Hundred Dollars ($6,872,400) due from Shaffer Oil and

Refining Company to Standard Gas and Electric Company on open account, in consideration of the issuance to Standard Gas and Electric Company of two hundred twenty-two thousand four hundred forty-eight (222,448) shares of common stock, without par value, of Shaffer Oil and Refining Company. The Chairman also stated that under the plan the forty thousand (40,000) shares of Class A common stock of Shaffer Oil and Refining Company owned by the Company would be converted into forty thousand (40,000) shares of common stock of Shaffer Oil and Refining Company.

Thereupon, upon motion duly made, seconded and carried, said plan was unanimously adopted and the officers of the Company were empowered and directed to do any and all things necessary to carry it into effect.

(Claimant's Exhibit 10 is the same as "Trustee's Exhibit X, Meeting of Board of Directors of Deep Rock, April 11, 1928," and appears in this record as this part of Trustee's Exhibit X.)

CLAIMANT'S EXHIBIT 13

DEEP ROCK OIL CORPORATION (FORMERLY STANDARD OIL AND REFINING CO.)
AND SUBSIDIARY COMPANIES
CONSOLIDATED DEPARTMENTAL INCOME STATEMENT

	1919	1920	1921	1922	1923
GROSS EARNINGS:					
PRODUCING GROUP	$ 3 425 141 89	$ 6 177 880 86	$ 3 161 303 98	$ 1 812 857 85	$ 1 792 490 27
PIPE LINE	402 965 39	520 438 93	683 576 99	3 698 906 72	5 119 867 22
REFINERY AND PRESSURE STILLS	8 075 276 68	9 870 552 34	6 221 190 25	6 183 355 02	7 192 850 62
GASOLINE	203 794 17	498 404 28	358 717 49	225 412 37	186 165 67
DISTRIBUTING GROUP	4 162 873 43	6 343 019 50	4 911 094 02	4 713 496 05	2 515 655 63
GENERAL OFFICE	43 121 87	78 688 45	46 538 08	48 284 73	57 081 52
TOTAL	16 310 573 43	23 489 014 36	15 682 420 81	16 642 272 74	16 894 110 93
LESS DEPARTMENTAL AND INTER-COMPANY ELIMINATIONS	7 075 988 03	11 294 772 12	7 641 669 72	8 478 808 82	9 216 797 73
	9 234 585 40	12 194 242 24	8 040 751 09	8 163 463 92	7 677 313 20
OPERATING EXPENSES:					
PRODUCING GROUP	1 459 898 19	3 613 083 82	2 621 732 48	786 533 22	825 924 77
PIPE LINE	87 701 26	96 550 58	117 296 16	3 444 965 71	4 922 891 92
REFINERY AND PRESSURE STILLS	6 882 512 50	9 446 914 32	5 321 174 27	5 304 952 04	7 042 002 19
GASOLINE	150 618 73	329 463 55	229 395 04	213 243 18	208 791 10
DISTRIBUTING GROUP	4 229 120 99	6 596 700 52	5 311 972 50	4 940 162 05	2 718 900 91
GENERAL OFFICE	81 243 60	98 425 38	50 927 58	22 631 35 (RED)	
TOTAL	12 891 095 27	19 881 171 17	13 652 498 03	14 637 224 85	15 718 510 89
LESS DEPARTMENTAL AND INTER-COMPANY ELIMINATIONS	7 075 988 03	11 294 772 12	7 641 669 72	8 478 808 82	9 216 797 73
	5 815 107 24	8 586 399 05	6 010 828 31	6 158 416 03	6 501 713 16
NET EARNINGS:					
PRODUCING GROUP	1 963 243 70	2 564 797 04	839 571 50	1 026 324 63	966 565 50
PIPE LINE	315 264 13	423 888 35	566 280 83	243 941 01	196 975 30
REFINERY AND PRESSURE STILLS	1 192 764 18	423 638 02	900 015 98	878 402 98	150 848 43
GASOLINE	53 175 44	168 940 73	129 322 45	12 169 19	22 625 43 (RED)
DISTRIBUTING GROUP	66 847 56 (RED)	253 651 02 (RED)	400 878 48 (RED)	226 666 00 (RED)	173 215 28 (RED)
GENERAL OFFICE	38 121 73 (RED)	19 736 93 (RED)	4 389 50 (RED)	70 876 08	57 081 52
NET OPERATING EARNINGS AFTER FEDERAL TAXES	$ 3 419 198 16	$ 3 607 843 19	$ 2 029 922 78	$ 2 005 047 89	$ 1 175 600 04

1925	1924	1925	1926	1927	1928	1929	1930
$ 1 792 490 27	$ 2 955 071 51	$ 4 008 623 79	$ 5 887 024 65	$ 3 5 405 95	$ 3 455 983 14	$ 3 980 977 08	$ 3 137 002
5 119 867 22	5 336 424 13	7 325 435 80	11 938 970 62	8 169 798 16	7 736 968 26	6 843 030 43	6 402 328
7 192 890 62	8 735 407 98	12 339 447 47	16 835 590 07	11 061 847 84	12 319 012 75	11 580 960 88	9 952 397
186 165 67	132 739 03	116 581 10	441 865 56	324 869 42	228 107 79	240 714 91	203 605
2 586 655 63	6 851 902 16	13 965 521 87	18 324 143 07	14 297 854 12	14 932 315 24	15 756 778 02	16 727 214
57 081 52	78 954 49	65 104 38	61 412 44	78 259 95	66 130 69	26 838 30	35 641
16 894 110 93	24 090 469 30	37 850 714 41	52 662 026 41	37 467 036 44	38 738 817 07	38 429 299 62	36 468 219
9 216 797 73	13 520 219 92	22 552 834 18	30 751 328 53	20 546 316 40	20 925 412 93	19 864 639 06	17 828 591
7 677 313 20	10 570 279 38	15 297 880 23	21 910 697 88	16 950 719 98	17 813 404 94	18 564 660 56	18 629 627
825 924 77	1 076 239 98	1 219 435 00					
4 922 891 92	5 098 697 64	6 846 300 71	1 606 318 75	1 622 589 69	1 453 362 53	1 562 381 10	1 453 962
7 042 002 19	8 208 362 85	11 524 792 31	11 182 759 82	7 591 358 00	7 046 917 15	6 281 599 39	6 100 157
208 791 10	158 969 01	73 977 81	15 203 275 17	10 832 299 53	10 896 460 69	10 828 675 59	10 388 973
2 718 900 91	6 994 519 24	13 698 802 46	289 757 10	282 714 35	172 461 69	188 978 38	210 460
	115 335 68	100 009 00	17 734 340 40	14 191 838 37	14 920 006 42	15 239 112 28	16 034 275
			600 000 00	30 487 82(Rec)	272 000 00	283 241 00	219 290
15 718 510 89	21 692 144 40	33 422 308 28	46 616 461 24	34 490 252 12	34 701 208 48	34 383 987 74	34 407 111
9 216 797 73	13 520 219 92	22 552 834 18	30 751 328 53	20 546 316 46	20 925 412 93	19 864 639 06	17 828 591
6 501 713 16	8 131 924 48	10 869 474 10	15 865 122 71	13 943 935 66	13 775 795 55	14 519 348 68	16 578 519
966 965 50	1 878 831 53	2 789 188 79	4 280 705 90	1 921 817 26	2 002 620 61	2 418 595 98	1 683 039
196 975 30	257 726 49	480 135 09	756 210 80	598 440 16	690 051 11	561 431 04	302 170
150 848 43	527 046 13	814 655 16	832 314 90	289 608 31	1 482 552 06	752 285 89	436 576
22 625 43(Rec)	26 249 98(Rec'd)	72 603 89	125 108 46	42 195 07	55 946 10	51 736 53	6 846
173 216 28(Rec)	142 617 08(Rec)	306 739 42	589 822 67	406 015 75	12 308 82	517 665 74	692 968
57 081 52	36 381 19(Rec)	314 895 62(Rec)	538 587 56(Rec)	108 740 77	205 869 31(Rec)	256 402 70(Rec)	183 649
$ 1 175 600 04	$ 2 438 354 90	$ 4 428 406 13	$ 6 046 575 17	$ 3 006 784 32	$ 4 037 609 39	$ 4 046 311 88	$ 2 051 107

	1920	1921	1922	TWO MONTHS 1923	TOTALS
1	3 137 008 18	$ 1 888 711 91	$ 1 921 997 16	$ 180 609 58	$ 147 628 083 09
5	6 102 328 44	3 795 716 85	3 816 674 09	336 191 85	72 105 325 88
7	9 952 397 76	6 438 564 69	6 339 903 22	644 000 27	32 989 957 84
	203 605 42	116 002 17	76 625 18	8 039 14	3 364 962 30
2	16 727 214 17	12 615 277 67	12 013 951 50	1 172 773 19	13 166 919 64
	35 641 19	33 271 90	18 512 19	3 287 82	741 068 60
16	96 168 219 16	24 885 575 19	24 186 891 93	2 644 852 15	106 162 325 35
9	17 888 591 66	11 344 085 69	10 901 279 04	1 043 501 61	212 986 215 50
7	18 629 627 80	13 541 189 80	13 285 612 89	1 601 350 54	193 176 079 85
4	1 153 962 84	1 190 052 66	1 096 341 69	167 107 37	21 695 264 09
7	6 100 157 63	3 259 799 07	3 547 626 31	341 770 81	65 995 392 16
10	388 973 76	6 664 318 96	6 376 046 87	951 187 97	25 191 922 02
	210 160 89	138 729 67	82 614 94	10 604 70	2 740 790 14
2	16 054 275 14	12 510 633 73	11 957 000 69	1 580 275 12	18 617 661 14
	219 290 99	114 285 71	2 668 70		1 884 299 53
15	34 107 111 58	25 877 819 86	25 002 299 20	3 031 216 97	366 365 329 08
9	17 888 591 66	11 344 085 69	10 901 279 04	1 043 501 61	212 986 215 50
6	16 578 319 92	12 533 734 17	12 101 020 16	1 987 714 36	153 379 083 58
	1 683 039 34	698 699 25	885 655 76	13 202 21	25 932 819 00
	302 170 81	533 947 78	269 047 78	5 378 96 (REC)	6 169 931 72
	136 576 00 (REC)	225 754 27 (REC)	36 513 65 (REC)	287 187 70 (REC)	7 198 095 82
	6 845 47 (REC)	22 727 20 (REC)	5 991 76 (REC)	2 565 26 (REC)	624 152 16
	692 968 70	104 618 94	56 550 81	107 501 93 (REC)	1 015 288 90
	183 619 50 (REC)	81 013 87 (REC)	15 873 79	3 287 82	1 113 230 93 (REC)
1	2 051 107 88	$ 1 007 755 63	$ 1 184 992 73	$ 386 393 82 (REC)	$ 40 096 996 27

CLAIMANT'S EXHIBIT 14

DEEP ROCK OIL CORPORATION (FORMERLY SHAFFER OIL AND REFINING CO.)
AND SUBSIDIARY COMPANIES
CONSOLIDATED INCOME STATEMENT

	1919	1920	1921	1922	1923	
GROSS EARNINGS	$ 9 234 585 40	$ 12 194 242 24	$ 8 040 751 09	$ 8 163 463 92	$ 7 677 313 20	$ 10
OPERATING EXPENSES, MAINTENANCE AND TAXES	5 815 107 24	8 586 399 05	6 010 828 31	6 158 446 03	6 501 713 16	8
NET OPERATING EARNINGS AFTER FEDERAL TAXES	3 419 478 16	3 607 843 19	2 029 922 78	2 005 017 89	1 175 600 04	2
DEDUCTIONS:						
INTEREST CHARGES	841 488 69	727 928 84	850 616 85	920 569 85	1 150 183 60	1
AMORTIZATION OF DEBT DISCOUNT AND EXPENSE	99 122 94	90 574 52	3 920 04	-	-	
APPROPRIATION FOR RETIREMENT AND DEPLETION RESERVE	1 782 831 72	1 930 818 30	750 000 00	609 000 00	-	
TOTAL	2 723 443 35	2 749 321 66	1 604 536 89	1 520 569 85	1 150 183 60	2
BALANCE	696 034 81	858 521 53	425 385 89	484 478 04	25 416 44	
PREFERRED DIVIDENDS	385 000 00	770 000 00	561 944 45	420 000 00	210 000 00	
COMMON DIVIDENDS	-	-		-	-	
MINORITY INTEREST IN SUBSIDIARY COMPANY	-	-		-	-	
	385 000 00	770 000 00	561 944 45	420 000 00	210 000 00	
BALANCE CARRIED TO SURPLUS	311 034 81	88 521 53	136 558 56 (RED)	64 478 04	184 583 56	
SURPLUS BEGINNING OF PERIOD	-	301 440 26	389 961 79	253 403 23	520 772 70	
SURPLUS ADJUSTMENTS:						
PREFERRED DIVIDENDS APPLICABLE TO PRIOR PERIODS	-	-	-	-	-	
SUNDRY ADJUSTMENTS - NET	9 594 55 (RED)	-	-	202 891 43	440 554 02	
SURPLUS END OF PERIOD	$ 301 440 26	$ 389 961 79	$ 253 403 23	$ 520 772 70	$ 776 743 16	$

	1924	1925	1926	1927	1928	1929	1930	1931
20	$ 10 570 279 38	$ 15 297 880 25	$ 21 910 697 88	$ 16 950 719 98	$ 17 813 104 94	$ 16 564 660 56	$ 18 629 627 80	$ 13 541 4
16	8 131 924 48	10 869 474 10	15 865 122 71	13 943 935 66	13 775 795 55	14 519 318 68	16 578 519 92	12 533 7
04	2 438 354 90	4 428 406 13	6 045 575 17	3 006 784 32	4 037 609 39	4 045 311 88	2 051 107 88	1 007 7
60	1 443 990 26	1 613 100 56	1 092 863 58	1 185 596 30	933 486 42	851 322 48	1 017 370 11	1 153 8
	18 585 32	18 936 70	17 102 11	16 759 22	17 096 41	7 614 38	173 71	
	897 788 58	1 334 467 17	2 134 567 99	824 428 80	1 688 526 50	1 820 927 52	683 564 06	
60	2 360 364 16	2 966 494 43	3 244 533 68	2 026 784 32	2 639 109 39	2 679 874 38	1 701 107 88	1 153 9
44	77 990 74	1 461 911 70	2 801 021 49	980 000 00	1 398 500 00	1 365 437 50	350 000 00	146 2
00	-	-	816 666 67	980 000 00	528 500 00	350 000 00	350 000 00	
	-	-	1 179 248 00	-	870 000 00	1 015 437 50	-	
	-	-	-	-	-	-	-	2 7
00	-	-	1 995 914 67	980 000 00	1 398 500 00	1 365 437 50	350 000 00	2 7
56	77 990 74	1 461 911 70	805 106 82					143 4
70	776 748 16	814 155 14	2 379 581 78	2 203 702 18	2 104 975 35	2 120 080 97	2 089 017 05	2 174 5
	-	-	1 050 000 00(RED)	-	-	-	-	
02	10 578 76(RED)	73 514 94	69 013 58	98 726 83(RED)	15 105 62	31 063 92(RED)	85 556 15	4
16	$ 814 155 14	$ 2 379 581 78	$ 2 203 702 18	$ 2 104 975 35	2 120 080 97	$ 2 089 017 05	$ 2 174 573 20	$ 2 030 7

30	1931	1932	TWO MONTHS 1933	TOTAL
9 627 80	$ 13 541 189 80	$ 13 285 612 89	$ 1 601 350 54	$ 193 146 079 85
8 519 92	12 533 734 17	12 101 080 16	1 987 714 36	153 379 083 58
1 107 88	1 007 755 63	1 184 592 73	386 393 82 (RED)	40 096 996 27
7 370 11	1 153 874 78	1 280 113 42	224 923 12	15 287 448 92
173 71	96 27	94 24 (RED)	-	289 887 38
3 564 06	-	-	-	14 447 920 64
1 107 88	1 153 971 05	1 280 019 18	224 923 12	30 025 256 94
0 000 00	116 215 42 (RED)	95 426 45 (RED)	611 316 94 (RED)	10 071 729 33
0 000 00	-	-	-	5 372 111 12
-	-	-	-	3 064 685 50
-	2 798 78 (RED)	6 079 27 (RED)	4 935 78 (RED)	13 813 84 (RED)
0 000 00	2 798 78 (RED)	6 079 27 (RED)	4 935 78 (RED)	8 422 982 78
-	413 416 63 (RED)	89 347 18 (RED)	606 381 16 (RED)	1 648 756 55
9 017 05	2 174 573 20	2 030 714 54	1 914 439 38	-
-	-	-	-	1 050 000 00 (RED)
5 556 15	412 03 (RED)	3 042 02	21 536 41 (RED)	717 765 26
4 573 20	$ 2 030 714 54	$ 1 914 439 38	$ 1 316 521 81	$ 1 316 521 81

(Claimant's Exhibit 11 is a chart entitled: "Byllesby Engineering and Management Corporation-Functional Chart of Services Performed For Managed Companies, Financial, Accounting, Auditing, Statistical Treasury and Secretarial Departments.")

(Claimant's Exhibit 15 is a condensed balance sheet of Shaffer Oil and Refining Company, dated November 30, 1926, and appears in substance in this record as "Trustee's Exhibit G, Part Containing 1926 Deep Rock Balance Sheet.")

(Claimant's Exhibit 16 is a condensed balance sheet of Shaffer Oil and Refining Company, dated December 30, 1926, and appears in this record as "Trustee's Exhibit G, Part Containing 1926 Deep Rock Balance Sheet.")

(Claimant's Exhibit 17 is a condensed balance sheet of Shaffer Oil and Refining Company, dated November 30, 1928, and appears in substance in this record as "Trustee's Exhibit I, Part Containing 1928 Deep Rock Balance Sheet.")

(Claimant's Exhibit 18 is a condensed balance sheet of Shaffer Oil and Refining Company, dated December 30, 1928, and appears in this record as "Trustee's Exhibit I, Part Containing 1928 Deep Rock Balance Sheet.")

(Claimant's Exhibit 19 is a condensed balance sheet of Shaffer Oil and Refining Company for January 31, 1930. See Claimant's Exhibit 20 for the balance sheet as of February 28, 1930.)

(Claimant's Exhibit 21 is a statement of earnings for Bradstreet and Pressure Stills Department for the period of March, 1933, through April, 1934, inclusive, being as follows: Gross Earnings, $1,087,049.72; Operating Expenses, $1,223,-270.02; Net Operating Expenses, before Rentals, loss of $136,-229.30. The statement of earnings of the Bradstreet Department alone for that period as follows: Gross Earnings, $22,-351.38; Operating Expenses, $26,278.99; and Net Operating Earnings before rentals loss of $4,527.61. The statement of earnings of the Pressure Stills Department alone for that

period is as follows: Gross Earnings, $1,064,698.34; Operating Expenses, $1,196,400.03; Net Operating Earnings before Rental a loss of $131,701.69.

Claimant's Exhibit 22.

Standard Gas & Electric Co.

January 10th, 1925.

Mr. W. R. Francisco, Treas., Shaffer Oil & Refining Co., 729 Kennedy Building, Tulsa, Okla.

Dear Sir: This is to advise you that we have today deposited to the credit of your account at the Continental and Commercial National Bank the sum of $100,000.00.

Debit memorandum for this amount will be forwarded in due course.

Yours very truly,

W. G. Pohl. BT

Asst. Secretary.

Claimant's Exhibit 23.

Shaffer Oil and Refining Company, 705 Kennedy Building, Tulsa, Oklahoma.

January 8, 1925.

Mr. Wm. G. Pohl, Assnt Secy, H. M. Byllesby & Co., Chicago.

Dear Sir: In reply to your communication of January 3rd., wish to advise that our regular monthly forecasts have been delayed on account of moving the offices here.

We are now preparing a three months' forecast covering January, February and March, which we expect to have completed in the course of the next three or four days.

We are also preparing a forecast covering twelve months from February 1st. 1925 to January 31st. 1926. This will be ready along about January 24th.

In the absence of any definite information, and to insure our not running short in our cash, I will appreciate it if you will deposit in the *in the* Continental and Commercial National Bank $100,000.00 on January 10th., and as soon as the three months' forecast is completed, I will be in a position to give you definite information as to the total requirements for the month.

I wish also to advise you that my bank loans are very low. I can very easily increase the loan at the Continental a quarter of a million, and obtain additional funds from the Union Trust of Chicago, the Exchange National here, and possibly Omaha and DesMoines. However, I have made no arrangements to obtain additional loans and will not do so unless advised by either Mr. Graf or yourself.

If you will take care of the deposit on the 10th, sending me debit memorandum, I will appreciate it very much.

Yours very truly,

(Signed) W. R. FRANCISCO,
Treasurer.

WRF :W

Claimant's Exhibit 24.

February 14, 1925.

Mr. W. R. Francisco, Treasurer, Shaffer Oil & Refining Company, 729 Kennedy Bldg., Tulsa, Oklahoma.

Dear Sir: Referring to your copy of letter dated February 7th to Mr. John L. Gray and postscript requesting that we deposit in the Continental and Commercial National Bank, to your credit on—

February 16th	$115,000.00
" 20th	60,000.00
" 25th	100,000.00
Total	$275,000.00

Please be advised that we will deposit the above amounts to the credit of your account on the *dated* specified.

Yours very truly,

WGP/HM

Asst. Secretary.

Claimant's Exhibit 25.

February 7, 1925.

Mr. John L. Gray, Office.

Dear Sir: In connection with the forecast of cash receipts and disbursements for the twelve months ending January 31, 1926, I wish to advise that during February, 1925, it shows a deficit of $413,000.00. This amount can be reduced

approximately $150,000.00 by liquidating bank balances to approximately $425,000.00. It will therefore be seen that during the month we will need new cash in the amount of approximately $275,000.00 as follows:-

February 16.....	$115,000.00
February 20.....	60,000.00
February 25.....	100,000.00

Yours very truly,

(Signed) W. R. FRANCISCO,

WRF:W cc R J Graf, Wm. G. Pohl Treasurer.

Mr. Pohl: Will you arrange to deposit in the Continental & Commercial to our credit the above amounts on dates specified, if it bears the approval of Mr Graf?

Claimant's Exhibit 26.

Standard Gas & Electric Co.

March 10th, 1925.

Mr. W. R. Francisco, Treasurer, Shaffer Oil and Refining Company, 729 Kennedy Bldg., Tulsa, Okla.

Dear Sir: Attached hereto duplicate deposit slip in amount of $85,000.00, covering deposit made to your account at the Continental and Commercial National Bank, in accordance with your letter of March 4th, 1925.

Yours very truly,

WGP/HM Asst. Secretary.

Claimants Exhibit 27.

Shaffer Oil and Refining Company, 705 Kennedy Building, Tulsa, Oklahoma.

Marxh 4, 1925.

Mr. Wm. G. Pohl, Assnt. Secy, H. M. Byllesby & Co., 231 So. LaSalle St., Chicago, Ill.

Dear Sir: Referring to your letter of March 2nd., the budget for the twelve months period ending February, 1926 has been prepared and discloses that we will need approximately $85,000.00 during the month of March, and it should be

available March 10th. Kindly deposit same to our credit with the Continental & Commercial National Bank as of that date.

Mr. Gray wishes the budget to be presented in Chicago each month during our visit. We expect to be there the morning of March 9th; therefore, I will not be able to furnish you copy of the complete budget until such time as it has been passed on by the Executive Committee.

Yours very truly,

(Signed) W. R. FRANCISCO,
Treasurer.

WRF:W

Claimant's Exhibit 28.

Standard Gas & Elec. Co.

March 25th, 1925.

Mr. W. R. Francisco, Treas., Shaffer Oil & Refining Co., Tulsa, Okla.

Dear Sir: Attached hereto duplicate deposit slip in amount of $125,000.00, covering amount we have today placed to your credit at the Continental & Commercial National Bank.

Very truly yours,

W. G. Pohl:HS

Assistant Secretary.

Claimant's Exhibit 29.

March 20th, 1925.

Mr. W. R. Francisco, Secretary, Shaffer Oil & Refining Company, 729 Kennedy Building, Tulsa, Oklahoma.

Dear Sir: Attached hereto duplicate deposit slip in amount of Seventy-five Thousand Dollars, ($75,000) covering deposit which we have today made to the credit of your account at the Continental and Commercial National Bank of Chicago.

Yours very truly,

WGP:EG Encl.

Assistant Secretary.

Claimant's Exhibit 30.

Shaffer Oil and Refining Company, Executive Offices, Tulsa, Oklahoma.

March 17th, 1925.

Mr. R. J. Graf, Vice Pres., H. M. Byllesby & Co., 231 South LaSalle St., Chicago, Ill.

Dear Mr. Graf: Our forecast for the 12 months from March 1925 which we left with you week before last, contemplated the sale of bulk of 36,000 barrels of gasoline through March at 13-1/2c per gallon. The market has so softened, due we think to the seasonal lack of demand, that we have not undertaken to sell this gasoline and the chances are should we do so today we could probably only obtain 11-1/2c for it and our plan is, therefore, to hold it until we get our price which we think we surely will do as soon as the summer demand sets in.

It will, therefore, be necesary for us to have the equivalent of the sales price of this gasoline, or approximately $200,000. We would like to have $75,000 of this on the 20th and $125,000 on the 25th. You understand this in no way affects our final forecast, it is merely a shift of money needed from one month to another. Will you please advise whether you wish to advance this money or whether we shall obtain it at the Banks and oblige.

Very truly yours,

(Signed) JOHN L. GRAY,
Vice Pres. & Gen. Mgr.

JLG-R

H. M. Byllesby and Company, 231 South LaSalle Street, Chicago.

Telegram
Confirmation.

April 25th, 1925.

We confirm the following telegram: W. R. Francisco, Treasurer, Shaffer Oil and Refining Company, 729 Kennedy Bldg., Tulsa, Oklahoma.

Depositing Savin Serge Your Account Continental Today.

W. G. POHL.
Savin Serge—$150,000.00.

WGP/HM 7 Words 9:55 A. M.

Claimant's Exhibit 31.

Shaffer Oil and Refining Company, General Offices.

April 22, 1925.

Mr. Wm. G. Pohl, c/o H. M. Byllesby & Co., Chicago.

Dear Sir: Please deposit for our account in the Continental & Commercial National Bank $150,000.00 on the 25th., advising me by wire.

Yours very truly,

(Signed) W. R. FRANCISCO,
Treasurer.

WRF:W

Claimant's Exhibit 32.

January 10, 1927.

Mr. W. G. Pohl, Care H. M. Byllesby and Company, 231 So. LaSalle Street, Chicago, Illinois.

Dear Mr. Pohl: I am enclosing herewith forecast of cash receipts and disbursements of the Shaffer Oil and Refining Company covering the period of January 1, 1927, to December 31, 1927, and wish to call your attentiton to the fact that the 19½% back dividend on the preferred stock and the dividend of $7.00 per share on the common stock, which are both payable January 25th, have not been considered in preparing this forecast. I talked to Mr. Graf in Chicago, and it was the understanding that the Standard Gas will take care of this dividend. The regular dividend of 1-3/4% on preferred stock, in the amount of $245,000.00, will be provided by us. The check will leave here so as to reach your office Monday, the 24th.

Referring to the January, 1927 results, will note there is a monthly deficit of $265,000.00. This I propose to take care of by a loan from the Union Trust Company, which I will arrange about the 20th of January,

Very truly yours,

SHAFFER OIL AND REFINING COMPANY.

WRF**W.

Treasurer.

Claimant's Exhibit 33.

Chicago, Illinois, January 17, 1927.

Mr. W. R. Francisco, Treas., Shaffer Oil & Refining Co., 424 S. Cheyenne Ave., Tulsa, Okla.

Dear Sir: In reply to your letter of January 13th, please be advised that we will arrange to deposit to the credit of your account in the Continental and Commercial National Bank on Tuesday, February 1st, the sum of $125,000.00. We will wire you when this deposit has been made.

Yours very truly,

Assistant Secretary.

W. G. Pohl EG CC:Mr. List, Mr. Lehmkuhl

Claimant's Exhibit 34.

Shaffer Oil and Refining Company, 424 South Cheyenne Avenue, Tulsa, Oklahoma.

January 13, 1927.

Mr. W. G. Pohl, Assistant Secretary, H. M. Byllesby and Company, 231 South LaSalle Street, Chicago, Illinois.

Dear Sir: I have for acknowledgement your letter of January 11th, regarding the preferred stock dividends, and beg to advise that under date of January 10th I wrote you, giving the information which you ask for in your letter. This letter, no doubt, has reached you, but as it is getting close to the time for payment of these dividends, I am enclosing copy of it.

Regarding the $125,000.00 which we are to pay Mr. Tibbens, they advised me this morning that they will want this money February 1st. Will you, therefore, arrange to deposit to our credit in the Continental and Commercial National Bank, $125,000.00 on Tuesday, February 1st, and oblige,

Yours very truly,

SHAFFER OIL AND REFINING COMPANY,
(Signed) W. R. FRANCISCO, Treasurer.

Enc. WRF**W

Claimant's Exhibit 35.

February 19,1927.

Mr. W. R. Francisco, Treasurer, Shaffer Oil & Refining Co., 424 South Cheyenne Ave., Tulsa, Okla.

My dear Mr. Francisco: In reply to your letter of February 17th, I wish to advise you that Standard Gas and Electric Company will place to the credit of your Company at the Continental and Commercial National Bank, Chicago, the sum of $325,000. on February 25th.

Yours very truly,

RJG:MB 1st Vice President.

Claimant's Exhibit 36.

Shaffer Oil and Refining Company, 424 South Cheyenne Avenue, Tulsa, Oklahoma.

February 17, 1927.

Mr. R. J. Graf, Vice President, H. M. Byllesby and Company, 231 South LaSalle Street, Chicago, Illinois.

Dear Mr. Graf: The forecast of cash receipts and disbursements which we submitted to you last month, covering the period of February 1, 1927 to January 31, 1928, showed that during the month of February, 1927, we would have a surplus of cash of $137,035.35, and was based on selling approximately 163,000 barrels of gasoline during the month of February.

Since the preparation of the forecast the gasoline market has softened considerably, which has reduced the gasoline sales to approximately 45,000 barrels in the first fourteen days of February. This is expected to continue throughout the full month, and results in our cash receipts being considerably less than anticipated. In addition to this the sales for the atter part of January were much less than anticipated, as will be seen by comparison of the estimated inventory of gasoline per forecast as of February 28th, of 28,328 barrels, and the actual inventory of gasoline of February 16th, of approximately 175,000 barrels, an increase of approximately 145,000 barrels at $4.00 per barrel, or a reduction in cash receipts of $580,000.00, and an increase of inventories of a like amount. Considering the estimated surplus referred to in

the first paragraph, and taking into consideration the other things which affect the situation, I am of the opinion that we can get along with $325,000.00.

The new forecast is in process of preparation and will give us a clear picture of the situation, starting March 1st.

The situation as regards bank loans is as follows:

Continental and Commercial Nat'l. Bank, due 2/28/27,	$750,000.00
Union Trust Company, due 2/28/27,	200,000.00
Union Trust Company, due 4/22/27,	300,000.00
Exchange National Bank, due 4/19/27,	175,000.00

Claimant's Exhibit 37.

Mr. R. J. G., Page #2.

We expected to pay $50,000.00 to the Continental and Commercial National Bank and $50,000.00 to the Union Trust Company on the notes maturing February 28th. This, of course, need not be paid, but will not affect the amount necessary to carry us through February, of $325,000.00.

While we dislike to have a situation of this kind occur, it will be seen that it is the result of not selling all the gasoline anticipated and it still remains in inventory to be sold at a later date.

If agreeable, will you have deposited in our account at the Continental and Commercial National Bank $325,000.00 on February 25th?

Very truly yours,

SHAFFER OIL AND REFINING COMPANY,
W. R. FRANCISCO, Treasurer.

WRF**W

Claimant's Exhibit 38.

May 16, 1927.

Mr. W. R. Francisco, Treasurer, Shaffer Oil and Refining Co., Tulsa, Oklahoma.

Dear Sir: In reply to your letter of May 12th, Mr Pohl advises me he is making arrangements to take care of your

sinking fund and bond interest due June first aggregating approximately $930,000.

I assume the amounts you and Riddle have decided to advance in the way of an additional loan to C. G. Tibbens will be taken care of by you from your current funds.

Yours very truly,

RJG:MB. 1st Vice President.

Claimant's Exhibit 39.

Shaffer Oil and Refining Company, 424 South Cheyenne Avenue, Tulsa, Oklahoma.

May 12, 1927.

Mr. R. J. Graf, Vice President, H. M. Byllesby and Company, 231 South LaSalle, Chicago, Illinois.

Dear Mr. Graf: Referring to forecast of cash receipts and disbursements for the twelve months ending April 30, 1928, copy of which was left with you on our recent visit to Chicago, wish to advise you that during the month of May we will have a cash deficit of $904,000.00. In addition to this we were today called upon by C. G. Tibbens to make an additional loan to them of $40,000.00. If you will recall we originally loaned them, early in February, $350,000.00, secured by first mortgage on certain of his oil properties. This loan provides that on the 10th and 25th of each month we are to deduct $5,000.00 from his oil check, to be applied on the loan. We further agreed at the time the loan was made to, from time to time, bring the loan back, to its original amount if it were necessary.

The present situation regarding this loan is that he has made payments specified, in the aggregate amount of $40,000.00, and wishes to take advantage of the agreement to borrow this amount back. After considering the matter carefully, it is the opinion of Mr. Riddle and the writer that we should grant him the loan, and we feel that even though the value of oil properties has decreased, by reason of overproduction of crude oil, that the mortgages we hold on his properties are ample security for the full amount of the loan, of $350,000.00. This $40,000.00 not being anticipated in our forecast will make our deficit for the month $944,000.00.

The sinking fund and bond interest due June 1st, aggregate $931,000.00, therefore we will apreciate it if you will arrange

to take care of these payments direct. Will you kindly advise me?

Very truly yours,

SHAFFER OIL AND REFINING COMPANY,
(Signed) W. R. FRANCISCO, Treasurer.

WRF*W.

Claimant's Exhibit 40.

June 20, 1927.

Mr. W. R. Francisco, Treas., Shaffer Oil & Refining Co., 424 S. Cheyenne Avenue, Tulsa, Okla.

Dear Sir: In reply to your letter of the 18th, please be advised that we have today deposited to your account at the Continental and Commercial National Bank, $100,000.00 as per duplicate deposit slip attached hereto.

We will also arange to deposit to your account on Saturday, the 25th, an additional $100,000.00.

Yours very truly,

Assistant Secretary.

W. G. Pohl EG Enclosure.

Claimant's Exhibit 41.

Shaffer Oil and Refining Company, 424 South Cheyenne Avenue, Tulsa, Oklahoma.

June 18, 1927.

Mr. Wm. G. Pohl, Assistant Secretary, H. M. Byllesby and Company, Chicago, Illinois.

Dear Sir: Under date of June 3rd I wrote you enclosing copy of forecast of cash receipts and disbursements and stated that it was quite possible that we would not need any funds from Standard during the month of June. I find now that we will need aproximately $200,000.00, $100,000.00 of which should be deposited in the Continental to our credit on Monday, the 20th, and $100,000.00 on Saturday, the 25th.

The item of federal taxes of $100,000.00 regarding which there was some question as to whether or not we would be required to pay, was reduced to $60,000.00 and paid on June 15th.

We are contemplating a contract for the purchase of 100,000 barrels of fuel oil to take care of sales which have previously

been made and which was included in the forecast to be disbursed during the months of August, September and October. We find it advisable to make the purchase at the present time, which will transfer $100,000.00 from those three months to June.

Am sorry that I could not advise you at an earlier date but the decision to purchase the fuel oil was not determined until today. I will appreciate it if you will wire me when the deposits are made to our credit and will advise you some time next week regarding our requirements for July.

Very truly yours,

SHAFFER OIL AND REFINING COMPANY,
(Signed) W. R. FRANCISCO, Treasurer.

WRF*W.

Claimant's Exhibit 42.

July 12, 1927.

Mr. W. R. Francisco, Treas., Shaffer Oil & Refining Co., 424 S. Cheyenne Ave., Tulsa, Okla.

Dear Sir: We have your letter of July 6th with which you enclosed forecast of receipts and disbursements for the twelve months ending June 30, 1928. As requested, we will arrange to advance your company the necessary funds for the payment of Preferred stock dividend on July 25th.

Yours very truly,

W. G. Pohl:EG Assistant Secretary.

Claimant's Exhibit 43.

Shaffer Oil and Refining Company, 424 South Cheyenne Avenue, Tulsa, Oklahoma.

July 6, 1927.

Mr. Wm. G. Pohl, Assistant Secretary, *M. H.* Byllesby and Company, Chicago, Illinois.

Dear Sir: Enclosed find four copies of the forecast of cash receipts and disbursements for the twelve months ending June 30, 1928. One copy for Mr. O'Brien, Mr. Graf, Mr. Lynch and yourself.

The deficit for the month of July is $430,000.00, and in-

cludes $245,000.00 for dividends on preferred stock, payable July 25th, and $412,000.00 for crude oil purchases. Of this latter amount approximately $212,000.00 will be *spend*, leaving an excess of $200,000.00. This will reduce the deficit to $230,000.00.

If you will arrange to take care of the dividend payment due July 25th, I am quite sure that we will not need any additional funds this month.

Very truly yours,

SHAFFER OIL AND REFINING COMPANY,
(Signed) W. R. FRANCISCO, Treasurer.

WRF*W.

Claimant's Exhibit 44.

October 3, 1927.

Mr. W. R. Francisco, Treasurer, Shaffer Oil & Refining Co., Tulsa, Okla.

Dear Mr. Francisco: I wish to acknowledge receipt of your letter of September 27th, which I find on my desk on my return to the office.

Mr. Pohl has been instructed to arrange for the advances as set forth therein.

Yours very truly,

RJG:MB

1st Vice President.

Claimant's Exhibit 45.

Shaffer Oil and Refining Company, 424 South Cheyenne Avenue, Tulsa, Oklahoma.

September 27, 1927.

Mr. R. J. Graf, Vice President, H. M. Byllesby and Company, 231 South LaSalle, Chicago, Illinois.

Dear Sir: Referring to forecast of cash receipts and disbursements for twelve months ending September 30, 1928, you will note that during the month of October there is a deficit of $739,000.00. Funds covering this deficit will be needed as follows:

October 10th,	$120,000.00
October 15th,	225,000.00
October 25th,	245,000.00
October 25th,	149,000.00
Total	739,000.00

The $225,000.00 required on the 15th and the $245,000.00 required on the 25th covers interest on the two year six per cent gold note and dividends on the preferred stock, respectively. We will appreciate it if you will arrange to deposit to our account in the Continental and Commercial National Bank $120,000.00 on the 10th, and $149,000.00 on the 25th. The funds required in connection with the interest and dividends can be deposited with the trustee direct.

If this meets with your approval will you please advise me?

Very truly yours,

SHAFFER OIL AND REFINING COMPANY,
(Signed) W. R. FRANCISCO, Treasurer.

cc: Mr. William G. Pohl. WRF*W

Claimant's Exhibit 46.

October 31, 1927.

Mr. W. R. Francisco, Treasurer, Shaffer Oil & Refining Co., 424 South Cheyenne Ave., Tulsa, Okla.

Dear Sir: I am in receipt of your letter of October 28th and have discussed the matter with Mr. Pohl, who advises me he will provide the funds as set forth in your summary on the dates mentioned.

Yours very truly,

RJG:MB 1st Vice President.

Claimant's Exhibit 47.

Shaffer Oil and Refining Company, 424 South Cheyenne Avenue, Tulsa, Oklahoma.

October 28, 1927.

Mr. R. J. Graf, Vice President, H. M. Byllesby and Company, 231 South LaSalle, Chicago, Illinois.

Dear Mr. Graf: Referring to the forecast of cash receipts

and disbursements, and particularly to the month of November, which shows a deficit of $1,369,000.00, this deficit is on the basis of increasing crude storage at a certain estimated figure.

Since returning to Tulsa I find that actual connections have been made whereby the purchases of crude going into storage during November and December will be slightly in excess of the forecast. The result of this is that while we increase the purchases during November and December, the January and later purchases will be declined by approximately the same amount of increase. Therefore the deficit for November will be increased by approximately $100,000.00, making the total deficit $1,469,000.00. Of this amount $968,000.00 represents the sinking fund and interest on our first mortgage bonds, the interest of $81,000.00 being payable November 30th, and the sinking fund December 1st, leaving approximately $500.000.00 for our cash requirements.

If convenient, we will appreciate it if you will deposit in the Continental and Commercial National Bank to our credit $200,000.00 on November 10th, and $300,000.00 on November 25th, and take care of the sinking fund and interest requirements from your end.

Summary.

November 10th,	$200,000.00
November 25th,	300,000.00
November 30th, Bond interest,	81,000.00
December 1st,	887,000.00
Total,	$1,468,000.00

I will apreciate it if you will advise me if this is satisfactory.

Very truly yours,

SHAFFER OIL AND REFINING COMPANY,
(Signed) W. R. FRANCISCO, Treasurer.

WRF-W.

Claimant's Exhibit 48.

Shaffer Oil and Refining Company, 424 South Cheyenne Avenue, Tulsa, Oklahoma.

December 1, 1927.

Mr. Wm. G. Pohl, H. M. Byllesby and Company, Chicago, Illinois.

Dear Mr. Pohl: Inasmuch as we will not be in Chicago for our regular monthly conference until December 6th, I thought it advisable to write you and tell you that the new forecast which will be presented at that time, shows a deficit for the month of December of $420,000.00.

This deficit includes $63,000.00 interest payment in connection with the five year notes which are owned by Standard, leaving $357,000.00 cash deficit, which no doubt will be taken care of by Standard Gas and Electric. Of this amount $200,000.00 will be needed December 10th, and $157,000.00 December 25th.

Very truly yours,

SHAFFER OIL AND REFINING COMPANY,

WRF*W. Treasurer.

Claimant's Exhibit 49.

Standard Gas and Electric Company.

April 20th, 1929.

Mr. W. R. Francisco, Treas., Shaffer Oil and Refining Co., Tulsa, Oklahoma.

Dear Sir: In reply to your letter of April 18th please be advised that we will arrange to make payment for the account of your company of the Preferred stock dividends which will be due and payable on the 25th of this month.

Very truly yours,

W. G. Pohl:FR Assistant Secretary.

Claimant's Exhibit 50.

Shaffer Oil and Refining Company, 424 South Cheyenne Avenue, Tulsa, Oklahoma.

April 18, 1929.

Mr. Wm. G. Pohl, Asst. Secretary, H. M. Byllesby & Company, 231 South LaSalle Street, Chicago, Illinois.

Dear Sir: Further, in connection with the cash situation for the month of April, as mentioned in my letter to you of April 8th, the complete check-up shows that we will be shy from $250,000 to $300,000. Approximately $210,000 of this is represented by gasoline accumulation in inventories, and $60,000 additional lease purchases.

Under date of April 12th, you deposited $100,000 to our credit in the Continental Illinois Bank & Trust Company, and if you will take care of the Preferred Dividend, which is due the 25th of this month, in the amount of $87,500, we will be able to get along without any further assistance. We are in hopes that the gasoline situation will be such that we may presently move some of our accumulated inventories.

Yours very truly,

WRF:JRW

Treasurer.

Claimant's Exhibit 51.

Standard Gas and Electric Co.

April 12th, 1929.

Mr. W. R. Francisco, Treas., Shaffer Oil and Refining Co., Tulsa, Oklahoma.

Dear Sir: Attached hereto duplicate deposit slip covering the amount we have today deposited to the credit of your account at the Continental Illinois Bank and Trust Company, namely: $100,000.

Very truly yours,

W. G. Pohl:FR Enc.

Assistant Secretary.

Claimant's Exhibit 52.

Shaffer Oil and Refining Company, 424 South Cheyenne Avenue, Tulsa, Oklahoma.

April 8, 1929.

Mr. Wm. G. Pohl, Asst. Secretary, H. M. Byllesby & Company, 231 South LaSalle Street, Chicago, Illinois.

Dear Sir: Enclosed find five copies of *forecase* of cash receipts and disbursements for the twelve months ending March 31st, 1930. Will you kindly take care of the distribution of these copies?

Regarding the April cash situation, the forecast shows a surplus of $12,274.00, after taking care of $87,500.00 Preferred dividends and rental and interest to Standard Gas and Electric Company of $65,000.00. This, however, is predicated upon a certain amount of gasoline to be sold to the outside trade and, of course, is depended upon the market. At present we are not making any large gasoline sales to the outside, which has the effect of increasing our gasoline inventories and decreasing our available cash. It is hoped this accumulation of gasoline can be moved at profitable prices in the near future. However, it becomes necessary for us to either dispose of some of this inventory at a low figure or obtain funds from the banks or the Standard Gas and Electric Company. We will need approximately $100,000.00 on April 12th, and I will appreciate your early advice as to whether or not you will take care of this for us or advise us to obtain the money through bank loans.

Yours very truly,

WRF:JRW Enclosures. Treasurer.

Claimant's Exhibit 53.

March 12th, 1929.

Mr. W. R. Francisco, Treas., Shaffer Oil and Refining Co., Tulsa, Oklahoma.

Dear Sir: Attached hereto duplicate deposit slip showing deposit to the credit of your account at the Continental National Bank and Trust Company today representing cash advanced by the Standard Gas and Electric Company.

Very truly yours,

W. G. Pohl:FR Enc Assistant Secretary.

Claimant's Exhibit 54.

March 7th, 1929.

Mr. W. R. Francisco, Treas., Shaffer Oil and Refining Co., 424 South Cheyenne Avenue, Tulsa, Oklahoma.

Dear Sir: Acknowledging receipt of your letter of March 4th, wish to advise that we will arrange to deposit to the credit of your account at the Continental National Bank and Trust Company the sum of $200,000.00 on March 12th.

Very truly yours,

Wm. G. Pohl:FR Assistant Secretary.

Claimant's Exhibit 55.

Shaffer Oil and Refining Company, 424 South Cheyenne Avenue, Tulsa, Oklahoma.

March 4, 1929.

Mr. Wm. G. Pohl, Asst. Secretary, H. M. Byllesby & Company, 231 South LaSalle Street, Chcago, Illinois.

Dear Mr. Pohl: Enclosed find five copies of the forecast of cash receipts and disbursements for the twelve months ending February, 1930.

The month of March shows a surplus of $51,000.00 predicated on an opening balance of $600,000.00. The correct opening balance was $500,000.00, which would leave a deficit for the month of March of approximately $50,000.00.

Owing to the fact that we have changed our method of paying for crude oil purchases to monthly instead of semi-monthly, I think it will be necessary for us to obtain from you about $200,000.00 on March 12th. If we find that the sales are made in accordance with the forecast and that we do not need the $200,000.00, it can be later repaid you.

The reason I mention the crude payments is that we will have an entire months crude purchases to pay for on the 12th, which will be from $360,000.00 to $400,000.00, and our crude receipts from the sales of our crude oil, which will amount to $150,000.00 to $200,000.00, will not be received until two or three days after the 12th, and I am afraid this might bring our balances to a figure which would be too low.

If this is agreeable, will you kindly arrange to deposit to

our credit in the Continental National Bank and Trust Company $200,000.00 on March 12th?

Yours very truly,

WRF:JW Enclosures. Treasurer

Claimant's Exhibit 56.

Shaffer Oil and Refining Company, 424 South Cheyenne Avenue, Tulsa, Oklahoma.

February 19, 1929.

Mr. Wm. G. Pohl, Asst. Sec., H. M. Byllesby & Company, 231 South LaSalle Street, Chicago, Illinois.

Dear Sir: Referring to your letter of February 16th, when I was in Chicago last month, the question of forecast was discussed with Mr. Graf and it was decided that the Standard Gas and Electric Company would take care of the $300,000.00 interest payment due March 1st and would also arrange to advance us $100,000.00.

So far, I have not yet found it necesary to call upon you for the $100,000.00 and have hopes of being able to get along without it. but the $300,000.00 note interest will have to be taken care of by the Standard Gas and Electric Company.

In the future, I will arrange to keep you advised regarding our *forecase*, so that in case Mr. Graf should overlook notifying you, you will be acquainted with the situation.

Yours very truly,

WRF:JRW Treasurer.

Claimant's Exhibit 57.

Standard Gas & Elec. Co.

January 19, 1929.

Mr. W. R. Francisco, Treasurer, Shaffer Oil and Refining Company, 424 So. Cheyenne Avenue, Tulsa, Oklahoma.

Dear Sir: We have your letter of the 17th and in accordance with your request will arrange to take care of your Company's Preferred Stock dividend, payable on January 25th.

Yours very truly,

Wm. G. Pohl:JF Assistant Secretary.

Claimant's Exhibit 58.

Shaffer Oil and Refining Company, 424 South Cheyenne Avenue, Tulsa, Oklahoma.

January 17, 1929.

Mr. Wm. G. Pohl, Asst. Sec., H. M. Byllesby & Company, 231 South LaSalle Street, Chicago, Illinois.

Dear Mr. Pohl: Further in connection with my letter of January 9th regarding the cash situation for January, it now develops that on account of increasing our inventory of gasoline at the refinery, which we believe advisable at this time because of the low price, we will have less cash available than that forecasted.

Rather than increase our bank loans at this time and having in mind that we will be in Chicago the latter part of this month, at which time the matter can be discussed with Mr. O'Brien and Mr. Graf, it is our thought to suggest that the Standard Gas and Electric Company take care of the Preferred dividend due on the 25th. We can later determine what our policy should be as regards making sales from our inventory or making additional bank loans to take care of our indebtedness.

Please advise if this is satisfactory.

Very truly yours,

WRF:JRW Treasurer.

Claimant's Exhibit 59.

Standard Gas & Elec. Co.

August 21, 1930.

Deep Rock Oil Corporation, 424 South Cheyenne Avenue, Tulsa, Okla.

Attention: Mr. W. R. Francisco, Treasurer.

Gentlemen: Replying to your letter of August 19th we wish to advise you that we will take care of the interest deposit due September first on the 5-6 *ear* 6% gold notes of your company.

Yours very truly,

JJMadden:JF. Assistant Secretary.

Claimant's Exhibit 60.

Deep Rock Oil Corporation, 424 South Cheyenne Avenue, Tulsa.

August 19, 1930.

Mr. Wm. G. Pohl, Asst. Secretary, H. M. Byllesby and Company, 231 South LaSalle Street, Chicago, Illinois.

Dear Mr. Pohl: The interest on our five-year 6% Gold notes in the amount of $300,000 is due September 1st. The last forecast, which was the one for the twelve months beginning August 1st, shows that in September we will have a deficit of approximately the amount of the note interest. The new forecast is not quite ready, and if there is any change, I will advise you immediately. In the meantime, will you arrange to take care of this interest deposit for us?

Yours very truly,

WRF:JW. Treasurer.

Western Union

January 20, 1930.

W. R. Francisco, Treasurer, Shaffer Oil & Refining Company, 424 South Cheyenne St., Tulsa, Oklahoma.

We will be able to take care of your January preferred dividend requirement if necessary

W. G. POHL.

WGP:MBO 9:45AM.

Claimant's Exhibit 61.

Shaffer Oil and Refining Company, 424 South Cheyenne Avenue, Tulsa, Oklahoma.

January 14, 1930.

Mr. Wm. G. Pohl, Assistant Secretary, H. M. Byllesby and Company, Chicago, Illinois.

Dear Mr. Pohl: Enclosed find five copies of forecast of cash receipts and disbursements for the calendar year 1930.

The forecast shows a deficit during January of $395,000 and $465,000 in February. In January we are finishing up payment in connection with *out* construction program at the refinery amounting to $328,000, and in February we have a

payment for interest on our notes in the amount of $300,000. This payment actually will be made March first. After these two months, we show a surplus monthly for the remainder of the year.

It is quite possible that I will be able to take care of the preferred dividend on January 25th in the amount of $87,500. I would like, however, to arrange with you that if we determine later on in the month that we are unable to take care of it, that Standard will be in position to advance us this sum. Please advise me regarding this, as in case you do not want to advance it to us, I can make arrangements to secure it from the banks.

This forecast makes no provision for common dividend.

Yours very truly,

WRF:W Treasurer.

Western Union.

August 25, 1931.

W. R. Francisco, Deep Rock Oil Corporation, Tulsa, Oklahoma.

Replying Your Letter Twenty Fourth We Will Deposit Note Interest Due September First.

STANDARD GAS AND ELECTRIC COMPANY.
PAL:MK 11.10 AM

Claimant's Exhibit 62.

Deep Rock Oil Corporation, Atlas Life Building, Tulsa.

August 24, 1937.

Air Mail

Mr. Wm. G. Pohl, Assistant Secretary, Standard Gas and Electric Company, 231 South LaSalle Street, Chicago, Illinois.

Dear Mr. Pohl: The interest on our 6% notes is due September 1st in the amount of $300,000.

According to the last forecast, we expected to ask Standard Gas and Electric to take care of this whole amount for us, as stated in my letter to Mr. Gray of August 4th, copy of which was sent to Mr. Graf. However, our cash position has shown

some improvement and we are in hopes of being able to take care of part of this amount ourselves.

On account of the crude price changes and the very much disturbed condition of the business, we have not been able to complete our forecast for the period starting September 1st, therefore, I am unable to say what our position will be in September.

If you will arrange to take care of this note interest for us, we will reimburse you for as much of it as we can, which I think, will be in the neighborhood of $150,000.

Upon receipt of this letter, will you kindly wire me advising if this arrangement is satisfactory.

Yours very truly,

WRF:JRW

Treasurer.

Claimant's Exhibit 63.

Deep Rock Oil Corporation, Atlas Life Building, Tulsa.

February 24, 1931.

Mr. J. J. Madden, Asst. Secretary and Treasurer, Standard Gas and Electric Company, 231 South LaSalle Street, Chicago, Illinois.

Dear Mr. Madden: During my recent visit to Chicago we discussed the payment of interest on our 5 year 6% Gold Bond which is payable March 1st, and as advised, we will need help from Standard. Will you, therefore, take care of this, amounting to $300,000, making payment to the First National Bank of Chicago, Trustee, and charge our account.

Very truly yours,

WRF:JW

Treasurer.

Claimant's Exhibit 64.

Deep Rock Oil Corporation, Atlas Life Building, Tulsa.

January 3, 1931.

Mr. Wm. G. Pohl, Asst. Secretary, H. M. Byllesby and Company, Chicago, Illinois.

Dear Mr. Pohl: We are not sending out the forecast for the period starting January 1, 1931, because of a number of

changes in our set-up which were approved after the forecast was made, and which cannot be reflected until the next forecast, which will be for the twelve months starting February 1, 1931.

We will, however, need some help from Standard, to what extent I am unable to say at present. I am quite sure we will need the Preferred dividend which is payable on January 25th, amounting to $87,500.00. I will watch our situation closely and advise you promptly.

Very truly yours,

WRF:JW Treasurer.

(Claimant's Exhibit 65 is the average price received by Deep Rock Oil Corporation per barrel of crude oil as follows: 1925, $2.03; 1926, $2.37; 1927, $1.45; 1928, $1.43; 1929, $1.49; 1930, $1.31; 1931, $0.66; 1932, $1.00. The eight year average was $1.47 a barrel.)

Claimant's Exhibit 66.

A Study of Our Situation.

It has been suggested that the finances of our Company can in time be placed in good condition, by continuing operations on the present scale, i. e. the refinery at 10,000 barrels and production at 6,000 barrels and centering our efforts on efficient operation rather than expansion.

It cannot be said that such a solution is impossible, but it does seem quite improbable, as we will attempt to show in the following.

For the purpose of brevity, our operations may be divided into two ways, the Refinery Group, which consists of pipeline, refinery crackers, tank cars and distribution; and the Producing Department, which covers the land, producing, gas and casinghead gasoline activities.

There is appended hereto, a statement showing that our earnings will have to average $5,183,000 a year before all charges, in order to get us out of debt in 10 years.

The Refinery Group.

During the past seven years, 1925-1931, inclusive, the earnings of the Refinery Group have averaged $1,850,000,

before rental charges. Of this amount $572,000 was due to pipelines earnings, leaving $1,278,000 as average earnings for the refinery and distribution. The best year for refinery and distribution was $1,869,000 in 1928 and the poorest, $555,000 in 1931. The next poorest was 1930 when $891,000 was earned. (The pipeline earnings are eliminated from this consideration as a more or less fixed figure.)

What earnings can we anticipate from the refinery and distributing departments?

It is fair to eliminate 1931 as a year of *abnormaly* low prices. We then have a range of $1,869,000 as high and $891,000 as low, with a mean of $1,278,000. Are we justified in predicting greater earnings over the next few years?

We might be, for the following reasons. Our refinery is in better shape physically, including new cracker and greater lubricating capacity. Several minor changes have been made for efficiency. During the past seven years the oil business, in spite of general prosperity, has not been at its best. Distribution particularly has been on a cut-throat basis, and conditions may be expected to improve in that department.

We probably are not justified in predicting greater earnings because, refining and distribution are essentially a manufacturing business, where the profits are limited to more or less set margins. During the past seven years the margins have been sufficient to show reasonable earnings on investment for major companies with whom we must compete and there is no reason for thinking that on the whole they will be greater. Although most business' enjoyed more prosperity than the oil business, it may prove true that the oil business was nearer normal than were other industries. Also our competition is to be with companies which have fortified themselves to meet competition with cheap transportation, which we have been unable to do because of lack of capital. Further, it has been our experience in the past that economies that have been effected and profits from so called specialty products have in a great part been passed on to the public because similar things were being done by our competitors.

All of these factors seem to about balance and we see no justification for assuming that the profits over the next few years will vary much from the average of the last few, i. e. $1,278,000.

If we add to this the average earnings of our pipeline department, $572,000, we have estimated future earnings of $1,850,000 for the refinery group. During the past seven years we have made annual additions to this group of $893,000. Since our capacity has remained the same, and since we have been forced to our investments in most instances by competition, in other words keeping up with the procession, is this not a reasonable charge to make for depreciation and obsolescence. Perhaps it is a little high because of the unusual investment in the lubricating plant, and for this reason let us assume that $500,000 will cover such charges in the future, although this is less than has been spent in any one year, except 1928.

Deducting this estimated depreciation from our estimated earnings we have $1,350,000 as the net from operations. If we capitalize this at 15%, a very reasonable rate for an industry of this kind, the value of our refinery group is $9,000,000. This contrasts with an appraised value of these departments in 1928 of $17,900,000. Of course a replacement appraisal at this time would be materially lower than in 1928, but the value of $9,000,000 is determined on a seven years average earning basis.

Production Group.

On the assumption that the Refinery Group earnings will average $1,850,000 the producing department must earn $3,333,000 to make up the estimated $5,183,000 required to get us out of debt in 10 years. In this consideration the gasoline department is eliminated, as only capable of nominal profit or loss, and the gas department, while quite profitable, about $150,000 per year, is omitted as small fluctuations in crude prices would make so much difference that the gas earnings would be immaterial.

The producing department earnings have averaged $2,460,000 per year for the last seven years. The high figure was $4,499,000 in 1926 and the low $925,000 in 1931. The next low figure was $1,922,000 in 1930. Our production during these seven years has fluctuated very little from 6,000 barrels and variations in profit have principally been due to variations in crude prices, though during the past year considerable reduction was made in expenses. The more or less constant

production has been due principally to proration, particularly during the last three years.

What may we expect our future earnings to be? We have quite well established a cost of around 45 cents per barrel on a 6,000 barrel basis. To earn the $3,333,000 per annum required to retire our indebtedness in ten years, on a 6,000 barrel basis would require a crude price of $1.97 per barrel. During the past seven years we enjoyed such a price from February, 1925, to February, 1927. The rest of the time it has been materially below that figure the average for seven years has been $1.52.

We have reinvested in our producing department an average of $2,671,000 a year. As we have been building up our property, it is impossible to say from our records what it will be necessary to spend to maintain it. During 1931 it took $885,000 to maintain (at least approximately) our property. During 1932 the amount will be less. With the acreage and potential production we have we believe we can maintain 6,000 barrels with an outlay of $1,000,000 per year.

With oil at $1.52, the average over the past six years, we would have an operating profit of $2,505,000. If we deduct from this $1,000,000 as an item for depreciation and depletion we have a net of $1,527,000 which capitalized at 15% gives us a value of $10,200,000. This contrasts with an appraised value of $18,380,000 made in 1927.

Summary.

If we total the value of the Refinery and Producing department on the basis here suggested we have $19,200,000 against which we have a bonded indebtedness of $10,000,000, an open account of approximately $9,000,000, and a preferred stock issue of $5,000,000.

Based on the six year average our earnings would be—Refinery Group—$1,850,000, Producing Group—$2,505,000, or a total of $4,355,000. If from this we deduct our fixed charges, (Bond interest $700,000, general interest $630,000, supervision and rental $700,000, preferred dividends $350,000 and money required for reinvestment, $1,500,000) a total of $3,880,000 we have a remainder of $475,000 to apply against our indebtedness of $19,000,000 or 2.5% per annum.

Comment.

The foregoing is all based on our past records, and eliminating 1931 as an abnormally low year. In looking into the future, we have effected certain economies which will be a great help. To offset this however we are now in a period of low prices and low margins which must be lived through before we can get back to a fair average basis. Further economies can *possible* be made, and of course should be where they can, but from these there can result no material change in our picture.

To materially improve our position we must have one or more of three things happen. First, a much greater spread between Refinery and Consumer than in the past; Second, a much greater price for crude than we have had, or Third, some unusual success with our acreage which will enable us to materially increase our production.

From the first of these we cannot expect much increase as compared with the past seven year average because of the competitive nature of the business. The second, crude oil prices, may be more satisfactory over a period of time, because during the past seven years there has been a surplus of crude much of the time. Per instance, a price of $2.00 (38 cents above the seven year average) would increase our earnings by $821,000 per year. The third factor is the one in which the possibilities are greatest, though of course at the same time, the most uncertain. If we could maintain an average production of 10,000 barrels, at average refinery earnings and crude prices for the past seven years we would earn $6,063,200 per year, which would give us $2,183,200 per year to apply on indebtedness.

If our reasoning is correct then our procedure should be, to keep our expenses at a minimum, and to divert all funds available to a search for production. This search to be made not in an attempt to get into every area that *my* produce, but to be in on a limited number of plays of an attractive wildcat nature such that if successful our position will be materially advanced.

It is appreciated that we might put our company in a good position without retiring all their indebtedness in ten years, but to do that, it is necessary that we establish an earning

power which will show that we are capable of retiring the indebtedness, whether we so use our surplus or not.

It is of course assumed that there will be certain capital expenditures that will have to be made in maintaining our position in pipeline, refinery and distribution, but we believe these should be kept at a minimum, because of the greater possibilities presented by increased production.

We therefore subscribe to the principle that the activities of our Refinery Group be limited to a 10,000 barrel basis, but that as funds are available, an effort be made to increase our production. With our production limited to 6,000 barrels our chances of working the company into a good position are remote and the longer it is delayed the more difficult it will become, as our open account and cumulative preferred dividends are gradually increasing.

We realize that with conditions as they are, and with the knowledge that we must handle our situation independently, we will have to be ultra conservative about appropriating our capital for any use, but believe that our policy should be determined at this time.

(Signed) L. B. RIDDLE.

Intervener's Exhibit 4.

H. M. Byllesby and Company, Incorporated, Investment Securities, 111 Broadway, New York.

August 25, 1934.

To the Holders of the 6% Convertible Gold Notes, due March 1, 1933, 7% Convertible Gold Notes, due March 1, 1937, of Deep Rock Oil Corporation (formerly named Shaffer Oil and Refining Company.)

The Reorganization Committee has addressed a communication dated August 21, 1934, to holders of the above mentioned securities, consisting of an explanatory letter, Plan of Reorganization and Deposit Agreement.

The proposed Reorganization Plan has been worked out by the Committee after long and careful study and we recommend to your careful consideration the Committee's explanatory letter. We strongly feel, considering all the factors involved, that the interests of the holders of the Notes will be best served by prompt deposits under the Plan.

If you have not received the letter and Plan referred to, we shall be pleased to send you a copy.

Our facilities will be available to you in connection with the deposit of your Notes. For your convenience we are enclosing letter of transmittal which should be executed and accompany your Notes, which may be shipped to our New York, Philadelphia, Pittsburgh or Chicago office.

The Committee has advised us that it will make application and recommendation to the court, to which the Plan of Reorganization has been submitted, for an allowance to security dealers of 1% of the principal amount of notes deposited at their suggestion and that, if and when the court approves an allowance, it will be paid to those security dealers who offer satisfactory evidence that deposits were secured at their suggestion. Any such allowance will be received by us as compensation for services and expenses; it will not involve any payment by the Note-holders.

May we suggest that you give this matter your immediate attention so that your interests may be best conserved.

Yours very truly,

H. M. BYLLESBY AND COMPANY,
Incorporated.

Intervener's Exhibit 5.

Reorganization Committee for Deep Rock Oil Corporation.

November 20, 1936.

To the Holders of the $7 Cumulative Convertible Preferred Stock of Deep Rock Oil Corporation:

We have just received a copy of a letter which has been sent to you by a committee organized by John M. and W. H. Taylor urging you to withdraw your preferred stock from deposit with our Committee and to give the Taylor Committee unlimited power to represent you in all matters concerning the reorganization of Deep Rock Oil Corporation.

Apparently the Taylor Committee is making a rather frantic effort to again delay the reorganization of Deep Rock which has been in receivership or bankruptcy since March 1, 1933. The basis of the attack centers on the position that no part of the claim for $9,342,642.37 asserted by Standard Gas & Electric Company is valid, and in support of their asser-

tions, they quote isolated sentences selected from a voluminous record of hearings which consumed months of time.

In order that you may not be misled by the communication you have received from the Taylor Committee, we desire to call to your attention the following very important facts which were omitted from the Taylor Committee letter:

(1) Court must approve new compromise and amended plan. The new offer of compromise and the amended plan cannot become effective or binding on anyone unless and until the Court shall approve the compromise and find that the amended plan is fair and equitable.

(2) The Taylor Committee will be given a full hearing by the court. The court which will determine the question of fairness is the same court which is quoted with such confidence by the Taylor Committee. The court cannot either approve the compromise or confirm the amended plan until after it has heard all of the objections made by any interested party, including those of the Taylor Committee.

(3) If new compromise is not approved by the court you may then withdraw. The amended plan itself provides that you will be entitled to withdraw your acceptances of the amended plan without expense in case the court shall not approve the new offer of compromise or shall not allow the claim of Standard upon terms substantially as set forth in the new compromise.

(4) The court has recognized the desirability of compromise. The new offer of compromise was made and the amended plan was prepared after the court itself urged the desirability of settlement and suggested a reconsideration of compromise by Standard to the end that a new offer of compromise might be submitted in connection with a modified plan of reorganization. The court under date of November 9, 1936, directed our Committee to submit the amended plan to the security holders of Deep Rock.

(5) The Trustee of Deep Rock and his counsel have approved the new compromise. The Trustee of Deep Rock and his counsel, both appointees of the court and entirely independent of any connection with Standard, thoroughly investigated all matters relating to the Standard claim and have approved the new compromise thereof after fully considering all contentions asserted by the Taylor Committee.

The law provides in effect that the amended plan cannot be approved by the court unless it has been accepted by the holders of a majority of the outstanding preferred stock. It would seem, therefore, that the Taylor Committee in urging withdrawals is primarily anxious to block the reorganization and to gather a following. As you have already been advised, the holders of more than a majority of the preferred stock have deposited with our Committee, which fact makes it possible to present the amended plan to the court for a determination of its fairness. If the Taylor Committee is successful in inducing a sufficient amount of preferred stockholders to withdraw their acceptances, the result will be that the court cannot confirm the plan even though it finds it to be fair and equitable. The contentions of the Taylor Committee will be considered on their merits by the court, regardless of the number of preferred stockholders represented by that Committee. In view of the fact that the reorganization has already been pending for several years, it would seem that the least the Taylor Committee can do would be to cooperate in expediting a reorganization by presenting their arguments before the court rather than by attempting to block any early reorganization by inducing withdrawals.

As a result of an independent study made by us and our counsel, which included consideration of the contentions of the Taylor Committee, and in view of the recommendation of the Trustees and his counsel, we believe that the new compromise and the amended plan should be accepted and approved. Failure to do so will necessarily involve a protracted delay in the consummation of any plan of reorganization and postpone for the security holders of Deep Rock any opportunity to realize a return on their investments. Therefore, we urge those who have not deposited with our Committee to do so promptly, and those who have deposited, not to withdraw their deposits.

JOHN J. SHINNERS,
NEWTON P. FRYE,
ROBERT F. HOLDEN,
JOHN H. MASON,
GRAYSON M.-P. MURPHY,
ALBERT J. ROBERTSON,
Reorganization Committee.

Intervener's Exhibit 6.

Reorganization Committee for Deep Rock Oil Corporation, Committee Counsel, Cutting, Moore & Sidley, Chicago.

November 30, 1936.

To the Holders of 6% Convertible Gold Notes due March 1, 1933; 7% Convertible Gold Notes due March 1, 1937; and $7 Cumulative Convertible Preferred Stock; and the Creditors of Deep Rock Oil Corporation (Formerly Shaffer Oil & Refining Company):

We are pleased to advise you that two leading investors service organizations have publicly reported in favor of the approval of the Amended Reorganization Plan forwarded to you by the undersigned Reorganization Committee under date of November 10, 1936.

Moody's Investors Service of New York City, under date of November 23, 1936, stated in part as follows:

"We do not recommend the withdrawal of previously deposited securities, and think that those who have not deposited might well so do in order to expedite a settlement of the complicated affairs of this Company, which have too long been in process of readjustment.

"We think that the treatment accorded the issue (Convertible Gold Notes due March 1, 1933, and March 1, 1937) in reorganization is sufficiently satisfactory to warrant acquiescence by holders in the proposed plan.

"The proposed plan does, however, appear fair to the preferred stockholders, so it would perhaps be quite reasonable for them to go along with the plan and await some demonstration results under the new setup."

Standard Bond Investments, published under date of November 28, 1936, by Standard Statistics Company, Inc., states:

"The amended reorganization plan is considered fair and equitable, and assent is advised. Under the plan, noteholders would receive $500 principal amount of new income debentures, plus two shares of new common and $30 in cash, per $500 note. Securities should be forwarded, together with transmittal papers, to the First National Bank, Chicago, or Chase National Bank, New York."

These recommendations, coming as they do from highly responsible, independent experts, constitute a complete answer to the assertions recently made by the Taylor Committee urging that the holders of preferred stock disapprove the amended plan. We are, therefore, confirmed in our judgment that those who have not deposited with our Committee should do so promptly, and that those who have deposited should not withdraw their securities.

JOHN J. SHINNERS, Chairman,
NEWTON P. FRYE,
ROBERT F. HOLDEN,
JOHN H. MASON,
GRAYSON M.-P. MURPHY,
ALBERT J. ROBERTSON,
Reorganization Committee.

Intervener's Exhibit 8.

Deep Rock Oil Corporation, 300 West Adams Street, Chicago, General Sales Offices.

January 25th, 1931.

To Stockholders: We are pleased to enclose, herewith, your quarterly dividend on Deep Rock Oil Corporation stock, recorded in your name at the close of business, December 31, 1930.

To further promote your company's success, Deep Rock has recently announced a new achievement in the field of lubrication. We are now marketing the only all-year, all weather, geographically universal motor oil. The same line of oil can be used at any temperature in any climate, at any season of the year.

These new Deep Rock Motor Oils which will actually flow at Zero degree F., are the result of two year's research, and an expenditure of huge proportion.

You may be assured that our new oils are as perfect as they can be. It is our opinion that they are actually years ahead of competitive oils, regardless of price.

Tests under actual operating conditions over a long period of time prior to their release, proved the new Deep Rock Motor Oils to be without equal.

We would like you to try these truly remarkable oils wherever possible if you have not already done so.

Very respectfully yours,

(Signed) JOHN L. GRAY,
Vice-President, General Manager.

Intervener's Exhibit 12.

In the District Court in and for Tulsa County, State of Oklahoma.

John L. Gray and L. B. Riddle, Plaintiff, vs. Deep Rock Oil Corporation, a corporation, Deep Rock Oil and Refining Company, a corporation, Standard Gas and Electric Company, a corporation, and Oklahoma Gas and Electric Company, a corporation, Defendants. No. 55845.

Petition.

Come now the plaintiffs, John L. Gray and L. B. Riddle, and bring this action in good faith on behalf of themselves and all other stockholders and creditors of the defendant, Deep Rock Oil Corporation, and for cause of action in this behalf against the defendants, Deep Rock Oil Corporation, a corporation, Deep Rock Oil and Refining Company, a corporation, Standard Gas and Electric Company, a corporation, and Oklahoma Gas and Electric Company, a corporation, alleges:

(1) That plaintiff, John L. Gray, is a citizen of the State of Connecticut with his domicile and residence in said state; that he is now the owner of 7820 shares of the common stock of the defendant Deep Rock Oil Corporation and has been the owner of common stock of said corporation since 1926; that plaintiff, L. B. Riddle, is a citizen of the State of Oklahoma with his domicile and residence in Tulsa, Tulsa County, State of Oklahoma; that he is now the owner of 2966 shares of the common stock of defendant, Deep Rock Oil Corporation and has been the owner of common stock of said corporation since 1926, and is now and has been since March, 1928, a creditor of and the holder and owner of promissory notes of the Deep Rock Oil Corporation in the principal sum of $10,000.00 which notes matured on March 1st, 1933.

(2) That defendant, Deep Rock Oil Corporation, is a cor-

poration organized and existing under the laws of the State of Delaware and for brevity will hereinafter be referred to as Deep Rock; that it was organized on May 31st, 1919, under the name of Shaffer Oil and Refining Company, which name was changed in 19— to Deep Rock Oil Corporation; that immediately upon its organization Deep Rock complied with the provisions of the Oklahoma Constitution and Article 10, Chapter 34, of the Oklahoma C. St. 1921, regulating the admission of foreign corporations to do business in the State of Oklahoma, appointed and has since maintained an agent residing in Oklahoma City, Oklahoma, upon whom it agreed service of process may be had in actions commenced against it in Oklahoma; that it has been continuously doing an active business in Oklahoma since its admission to do business in this state; that it owns property in Tulsa County, Oklahoma, and has had at all times herein referred to its principal place of business and office in Tulsa, Tulsa County, Oklahoma, and now has and has had for years officers and agents in charge of its principal business office in Tulsa, Tulsa County, Oklahoma.

(3) Defendant, Standard Gas and Electric Company, is a corporation organized and existing under the laws of the State of Delaware and for brevity will hereinafter be referred to as Standard; that its corporate organization was *prefected* prior to the organization and incorporation of Shaffer Oil and Refining Company; that it is what is known as a Holding Company with assets consisting almost exclusively of stocks and bonds and securities of other corporations, mostly public utility corporations; that it owns in its own name or controls through stock ownership preferred and common stock in California Power Corporation, Louisville Gas and Electric Company, Market Street Railway Company, Mountain States Power Company, Northern States Power Company, Oklahoma Gas and Electric Company, Philadelphia Company, San Diego Consolidated Gas and Electric Company, Southern Colorado Power Company, Wisconsin Public Service Corporation, Wisconsin Valley Electric Company, Byllesby Engineering and Management Corporation, Empresa De Servicios Publicos De Los Estados Mexicanos, S. A., Fort Smith Traction Company and Kentucky West Virginia Gas Company; that it owns approximately 98 per cent of the common stock of the Deep Rock; that the common stock of Deep Rock has all the voting power (except preferred stock is entitled to vote on con-

tingencies not here material); that the Deep Rock's preferred stock and bonds were sold to the public and are largely owned by the public; that by virtue of its ownership of approximately 98 per cent of the common stock of the Deep Rock, the Standard dominates and controls the Deep Rock and has maintained such control by stock ownership since 1919; that the Standard has nominated and elected the Board of Directors of Deep Rock and through its own Board of Directors has for more than 13 years dictated the business policy and important business transactions of Deep Rock and is maintaining absolute dominance and control to this date.

As herein alleged, the Standard owns and controls other corporations engaged mostly in supplying gas and electricity to the consuming public; Standard is one of the largest corporations in the world and the consolidated statement of its assets and those of its affiliated and subsidiary corporations are disclosed by its books as exceeding $1,000,000,000.00; Standard's stock is now and has been for about 15 years last past listed on the New York Stock Exchange and stock exchanges in the United States and is now and has been all said times herein mentioned traded in by the public throughout the United States. During all these times the Standard issued and sold to the public its preferred and common stock and its promissory obligations in the form of note and bond issues. The market for these securities has been influenced to a large extent by the reported assets and earnings of Standard and in order to report large assets and earnings and thereby create a demand for its stock and securities, Standard has committed the wrongs herein detailed against Deep Rock and the public trading in Standard's stocks.

(4) That Deep Rock was authorized to issue and did issue 500,00 shares of preferred stock of the par value of $100.00 per share and 500,00 shares of common stock of no par value; that immediately upon its incorporation under the Delaware laws it authorized the issuance of its bonds in the sum of $15,000,000.00; that H. M. Byllesby and Company purchased from it $11,000,000.00 of its said bonds and acquired all the preferred stock both of which it sold to the public and 120,000 shares of its common stock for a total consideration of $15,200,000.00; that also immediately upon its organization C. B. Shaffer conveyed to it oil and gas producing properties in Creek and other counties in Oklahoma and in other states

and also a refinery and all properties in connection therewith located at Cushing, in Payne County, Oklahoma, and undeveloped oil and gas leases, pipe lines, well *equiped*, etc., for a consideration of $9,500,000.00 in cash and a promissory note for $1,000,000.00 executed by H. M. Byllesby and Company, a corporation, and the payment by it of C. B. Shaffer's income tax growing out of the transaction in the sum of $1,910,442.02; that Deep Rock owned valuable producing oil and gas leases in Oklahoma, Kansas, Texas, and Arkansas.

The capital structure of the Deep Rock has been changed from time to time by amending its Articles of Incorporation but there has always been and is now outstanding both preferred and common stock and a large indebtedness represented by bond and note issues. The Board of Directors have been elected and the corporation controlled by the Standard as holder of the common stock. The preferred stock has been actively traded in by the public and is now and at all times since its issuance has been owned by the public. There is now outstanding 50,000 shares of preferred stock and there is also now outstanding a note issue of Deep Rock in the principal sum of $10,000,000.00, which matures March 1st, 1933. These notes are now and at all times since their issuance have been owned by the public and not by the Standard.

(5) That the controlling officers and directors of the Standard and Deep Rock, along in 1922, conceived the plan to buy what is known as the L. G. Bradstreet oil and gas properties, consisting mostly of oil and gas leases, some developed and undeveloped, lying in Creek and Pawnee counties, Oklahoma, and Columbia County, Arkansas, with a view to conveying said Bradstreet properties to a new corporation, advance certain sums of money for improvements and further development of the Bradstreet properties and the construction of a cracking plant, issue all of the stock of the corporation to Standard, and, acting in the name of said new corporation, lease and properties including the oil and gas leases and cracking plant to Deep Rock for an annual rental far in excess of the possible net income of the properties and thus divert from Deep Rock a fixed annual sum for a period of five years to the treasury of the Standard; that prior thereto and in 1921 the Standard's controlling officers and directors devised the scheme of having the Deep Rock enter into a contract with the Byllesby Engineering and Management Cor-

poration, a Delaware corporation, all of which stock was owned by the Standard, to pay said latter corporation $200,000.00 per year, or approximately that amount, for alleged supervision or management; that *Bullesby* Engineering and Management Corporation is and has been at all times a mere tool and instrumentality of Standard and used by Standard to absorb income and profits of its affiliated corporations such as Deep Rock and divert the profits from corporations in which the public owned large blocks of stock to corporations in which the Standard owned all or substantially all of the stock; that this scheme was carried out by having subsidiary corporations enter into contracts with Byllesby Engineering and Management Corporation to render certain expert services which were of little or no value and rarely ever rendered; that Byllesby Engineering and Management Corporation since 1920 has received from Deep Rock a sum in excess of $1,167,034.83 for which it rendered no substantial services and was not expected or intended by the controlling officers of the Standard to render any services; that the Standard, instead of having the so-called Bradstreet properties conveyed direct to Deep Rock or to itself, caused to be organized defendant, Deep Rock Oil and Refining Company in February 1923, under the laws of the State of Delaware, and hereinafter referred to as Refining Company; that in order to evade complying with the laws of the State of Oklahoma applicable to foreign corporations doing business in Oklahoma, the Standard organized the Refining Company as a mere sham and fictitious agent to carry on in Oklahoma its business, that is, Standard's business; that the Standard paid for the Bradstreet properties a consideration of $650,000.00 and advanced approximately $861,297.79 for the construction of a cracking plant at Cushing, Oklahoma, on land owned by Deep Rock; that to evade the laws of Oklahoma the Standard took the title to the Bradstreet properties in the name of J. C. Kennedy, Trustee, and constructed a cracking plant in the name of R. J. *Graff*, Trustee, one of its officers and a member of Standard's Board of Directors; that the Standard furnished the money therefor and caused the Bradstreet properties to be further developed and explored at an expenditure of approximately $1,033,294.00, making a total investment in October, 1925, of $2,544,592.00, which Standard thereupon charged to Deep Rock, then operating under the name of Shaffer Oil and Refining Company, on an open account at the

rate of seven per cent interest per annum, compounded monthly; that Deep Rock had no voice in this transaction and its Board of Directors were elected and dominated by Standard; that the entire authorized and issued capital stock of Refining Company is now and has at all times been owned by Standard; that although Standard charged the Deep Rock on an open account with the total amount of the investment in the Bradstreet properties and cracking plant it had the trustees aforementioned convey the cracking plant on the Deep Rock's land to Refining Company; that in October, 1925, the general public owned a large part if not all the preferred stock of the Deep Rock, to-wit, 60,000 shares of the par value of $100.00, and Standard owned approximately 98 per cent of the issued and outstanding common stock of Deep Rock, to-wit, 160,000 shares of no par value; that in October, 1925, the Standard, through its absolute control of Deep Rock and defendant Refining Company, caused those two corporations to enter into a sham contract whereby the Deep Rock leased from the Refining Company the cracking plant and oil and gas leases for a rental of $225,000.00 for the last three months of 1925, and $50,000.00 per month thereafter for a period ending October 1st, 1930; that Deep Rock monthly paid said rental in money or suffered itself to be charged by Standard with the amount it was unable to pay with interest at seven per cent compounded monthly; that Standard would send from its office in Chicago, Illinois, (its main office and place of business) to the Secretary of the Refining Company at its office in Tulsa, Oklahoma, formal resolutions purporting to declare monthly dividends which resolutions the dummy directors of the Refining Company purported to adopt monthly; that the monthly rental payments were some times made by Deep Rock direct to Standard and sometimes to the Standard *to the Standard* through the Refining Company, depending on the manner of bookkeeping and the financial exigencies of Standard and Deep Rock; that on March 19th, 1926, the General Auditor of Byllesby Engineering and Management Corporation sent from its offices in *Chicato,* Illinois, to W. R. Francisco, Secretary and Treasurer of the Deep Rock, a written rental agreement between Deep Rock and Refining Company, dated October 1st, 1925, covering the Bradstreet properties, with directions to have Mr. Gray, as President, and himself as Secretary, execute said contract on behalf of Refining Company and return the original to Chicago and keep

a duplicate for the files in the Tulsa office; that said rental contract was executed, a copy of which is made a part hereof as Exhibit A; that the amount of annual rental called for by Exhibit A and paid by Deep Rock was grossly exorbitant, fraudulent and extortionate and was an unconscionable diversion of Deep Rock's property to Standard through the fictitious corporate Refining Company as a mere conduit; that the Standard had the Refining Company comply with the provisions of the Oklahoma Constitution and Statutes regulating the admission of foreign corporations to do business in Oklahoma, pay a license fee, and obtain a license to do business in Oklahoma; that the Standard named all the officials of Refining Company and established its main office in Tulsa, Tulsa County, Oklahoma, in which state it owns property in its name; that Standard is now and has been doing business in Oklahoma for more than ten years in the name of Refining Company, which it caused to be created and operated for the fraudulent purpose of absorbing the assets of Deep Rock, whose preferred stock and whose bonds were largely owned by the public; that plaintiff, John L. Gray, is the nominal President of Refining Company; that W. R. Francisco is in charge of the Standard's office in Tulsa, Tulsa County, Oklahoma, and is acting for and carrying on business of and for the Standard in Tulsa County, Oklahoma, in the name of Refining Company, for which he acts under that title of Secretary, and has so acted for more than 10 years last past.

That notwithstanding the Deep Rock was actually losing money on the properties rented by it from the Refining Company under the contract shown by Exhibit A, and notwithstanding the fact that the rental therein called for was exorbitant, fraudulent and extortionate, the Standard, in October, 1930, directed said defendants, Deep Rock and Refining Company, to renew said contract for another five years, which was done, at an annual rental of $600,000.00 payable $50,000.00 per month, a copy of which rental lease contract is hereto attached and made a part hereof as Exhibit B; that the Deep Rock had lost on said properties covered by said contracts during the years 1927, 1928, 1929 and 1930, the sum of $1,692,620.44.

Standard caused the directors of Deep Rock to declare dividends on its common stock in the total sum of $3,064,685.50

for the years 1926, 1928 and 1929, when there were no surplus profits out of which these dividends could be legally declared and no proper reserves were made for depletion, depreciation, dry holes, expired or abandoned leases before declaring said dividends, and that the same were declared out of capital.

(6) That defendant, Oklahoma Gas and Electric Company, hereinafter referred to as Oklahoma Company, is a corporation duly organized and existing under the laws of the State of Oklahoma with its principal place of business in Oklahoma County, Oklahoma, wherein its President, Secretary and other officers reside; that all of its stock except a few qualifying shares is *woned* by the Standard and carried on the books of the Standard at a valuation of $19,190,000.00; that the Standard's stock in said Oklahoma Company is subject to attachment under the provisions of Article 9, Chapter 3, of the Code of Civil Procedure, Oklahoma Statutes, 1921, and to be thusly impounded to secure the payment of any judgment rendered against the Standard in this case.

(7) That neither the Deep Rock, the Standard, the Refining Company, nor the Oklahoma Company now has or at any time heretofore has had any property of salable value in the State of Delaware, and neither of said defendant corporations ever did or is now doing any active, real business in the State of Delaware other than maintaining an agency in Delaware as required by the Delaware statutes and paying the Delaware annual license tax.

(8) That in 1928, as of the date of March 1st, the Standard, by and through its control and dominance of the Deep Rock, caused the Deep Rock to issue and sell to the public its unsecured notes aggregating $10,000,000.00, bearing interest at the rate of six per cent per annum and maturing March 1st, 1933; that said $10,000,000.00 in notes were issued and sold to the public in accordance with a declaration of trust entitled "Trust Agreement between Shaffer Oil and Refining Company agreed that neither it nor its subsidiary would create any mortgage upon its property or any pledge if its assets unless it or its subsidiary in entering into any mortgage or pledge would expressly secure the payment of the principal and interest of all the notes issued and issuable "hereunder equally and ratably with any indebtedness or obligations authorized to be created or issued under such mortgage or to be secured by such pledge"; that no mortgage or pledge of any

sort or character has ever been executed by Deep Rock or any of its subsidiaries securing the aforesaid notes dated March 1st, 1928, along with or without other notes and obligations issued by it or its subsidiaries; that the Deep Rock has no funds with which to pay said notes maturing March 1st, 1933, or any substantial part thereof, nor has it any assets available for raising funds to meet said notes upon their maturity; that acting under the control and directions of the Standard the Deep Rock is now endeavoring to prevail upon the holders of said notes maturing March 1st, 1933, to agree to an extension of the maturity date of said notes to the 1st day of March, 1937, in consideration that the annual rate of interest be increased from six per cent to seven per cent; that Standard now claims and has charged on its books against the Deep Rock as debtor to it the sum of $9,345,314.66; that if the owners and holders of a majority in amount of the March 1st, 1928 notes aggregating $10,000,000.00 extend the maturity date *od* said notes for four years, it is the purpose and intent of the Standard to so conduct the affairs of the Deep Rock through its ownership and dominance that it, the Standard, will absorb a large part of the assets and all the income of the Deep Rock in partial or total satisfaction of the indebtedness the Standard claims Deep Rock owes it; that the Deep Rock is in imminent danger of insolvency in that (a) it cannot pay its debts at maturity in the usual course of business and carry on its operating expenses, although (b) its total assets are sufficient to pay the claims of its creditors including the holders of said $10,000,000.00 in notes; that the Standard, by diverting to itself through the Refining Company all the income or the greater part of the income of the Deep Rock under the guise of said rental contract shown by Exhibit B, is depriving, and will continue to deprive the Deep Rock's stockholders and creditors of vast sums of money to which they are entitled, and also by the aforesaid means the *the* Standard is enabled to show earnings and assets to which it is not entitled but nevertheless advertises to the public as legally a part of its earnings and assets.

(9) The defendant Deep Rock is now and at all times herein mentioned has been under the absolute domination and control of the defendant Standard; that John J. O'Brien is now, and during the time of the commisison of the wrongs herein complained of was, President and one of the Directors of the Standard and is now and was at all such times Presi-

dent and Director of Deep Rock; that the following directors of Deep Rock are also Directors of Standard; John J. O'Brien, H. C. *Cummings*, R. J. *Graff*, J. H. Briggs, M. A. Morsison and B. W. Lynch. These directors constitute a majority of the directors of Deep Rock and dominate and control the entire Board of Directors of Deep Rock and dictate and control its policies and the management of its affairs. That the defendant Standard owns all the issued and outstanding stock of Refining Company and dominates and controls said corporation and the Board of Directors thereof. It would be useless to demand of the Deep Rock or its Board of Directors that suit be insituted for the reason that such demand would be futile because of the domination and control by Standard of Deep Rock; that it would be useless to attempt to secure any action through a meeting of the stockholders of Deep Rock because of the stock ownership and control of Standard.

(10) That the said contract shown by Exhibit B should be decreed fraudulent, null and void, and as such cancelled and an acounting had between the Deep Rock on the one hand and the Standard and Refining Company on the other hand; that the Standard is justly indebted to the Deep Rock in the sum of $8,765,719.50; that the Standard and the Refining Company, if the Refining Company can be treated as a separate entity from that of the Standard, have jointly wronged and defrauded the Deep Rock, its stockholders and creditors, and will continue to do so unless restrained by an injunctive order of this court; that the Standard through its stock ownership and complete domination of the Deep Rock and Refining Company will continue to fraudulently mismanage the property and affairs of the Deep Rock; that plaintiffs have no adequate remedy at law; that a writ of injunction is not an adequate remedy because it will leave the property and affairs of the Deep Rock in the hands of the same parties who have heretofore cheated and defrauded it and its stockholders and creditors; that the only adequate remedy is the appointment of a receiver with authority to take charge of all the assets, tangible and intangible, of the Deep Rock situated within the State of Oklahoma and manage and control the same under the direction and *suthority* of this court pending a reorganization of the Deep Rock or its entire liquidation; that an injunction against the Refining Company is not an adequate remedy in that it will leave the same fraudulent management in control of its property and affairs, and there should be a receiver ap-

pointed by this court to take charge of its property and assets, tangible and intangible, located in Oklahoma, for the purpose of impounding them for the use and benefit of its creditors, particularly the Deep Rock.

Prayer.

Premises considered, plaintiffs pray for all the remedies to which they allege they are entitled in Paragraph (10); pray that a subpoena issue out of this court directed to the Sheriff of Tulsa County and served on the Standard by leaving a copy thereof with W. R. Francisco as its officer and agent in charge of its business and affairs in Oklahoma and in Tulsa County thereof; that subpoenaes issue addressed to the Sheriff of Oklahoma County to be served on R. M. Rainey as service agent for Deep Rock and on George M. Green, as service agent for Refining Company; that subpoena issue to the Sheriff of Oklahoma County commanding him to serve the Oklahoma Company; that a judgment for $8,756,719.50 be rendered and entered against the Standard and Refining Company in favor of the Deep Rock and if for any reason no such relief can be had against the Standard then that a judgment for the above said sum of $8,756,719.50 be rendered against the Refining Company in favor of the Deep Rock, and that said rental contract shown by Exhibit B be cancelled; pray that a receiver be appointed for the Deep Rock's properties within the State of Oklahoma; pray that a writ of attachment be directed to the Sheriff of Oklahoma County to be levied on the stock in the Oklahoma Company owned by the Standard in a sufficient number of shares to amount to the value of $8,756,719.00; that the Oklahoma Company be ordered to disclose the serial number and par value, if of par value, of its stock certificates owned by Standard.

Plaintiffs also pray for costs, attorney fees and all such other and general relief as they and those they represent may be entitled to, for all of which they ever pray.

/s/ GEO. S. RAMSEY
/s/ EDGAR A. de MEULES
/s/ VILLARD MARTIN
/s/ GARRETT LOGAN,
Attorneys for Plaintiffs.

State of Oklahoma, County of Tulsa, ss.

John L. Gray, of lawful age, being first duly sworn on oath

states that he is one of the plaintiffs in the above entitled action; that he has read the foregoing petition and that the some is true and correct.

/s/ JOHN L. GRAY.

Subscribed and Sworn To, Before me this 28th day of February, 1933. /s/ Mary L. Raburn. My commission expires August 5, 1933.

(Exhibit A and B of this petition are the leases between the Refining Company and Deep Rock and appear in this record as "Exhibit A" and "Exhibit B" of "Amended Objections of Trustee in Bankruptcy to claim of Standard.")

Intervener's Exhibit 16.

Special Meeting of Board of Directors Deep Rock Oil Corporation.

September 29, 1936.

A special meeting of the Board of Directors of Deep Rock Oil Corporation was held at the office of the Corporation, 231 La Salle Street, Chicago, Illinois, on the 29th day of September, 1936, at one o'clock in the afternoon of that day, pursuant to written waiver of notice of the time, place and object of said meeting and consent to the holding thereof, duly signed by all the directors of the Corporation,

The following Directors were present: J. H. Briggs, H. C. *Cummings*, R. J. Graf, B. W. Lynch, J. J. Madden, B. L. Majewski, M. A. Morrison, Wm. G. Pohl constituting a majority of the Board and a quorum for the transaction of business.

Absent: W. R. Francisco, R. K. Huey, W. E. Moody.

(The only business transacted at this meeting was the appointment of a new agent for the purpose of doing business in the State of Louisiana in compliance with its laws, no other business was transacted at this meeting.)

Intervener's Exhibit 19.

August 23rd, 1935.

In Re Deep Rock Oil Corporation Bankruptcy No. 2318 Consolidated, United States Court, Tulsa, Oklahoma.

Statement of Trustee.

To Deep Rock Stockholders and Creditors:

The accompanying letter from John M. and William H. Taylor, two of Deep Rock's preferred stockholders, addressed to you is herewith enclosed by direction of the Court with this statement of the Trustee:

(1) Receivers were appointed on March 1, 1933, on a bill in equity filed by two stockholders, one of whom is also a creditor. The bill alleged mismanagement of Deep Rock by Standard's direction, attacked the validity of the two leases, one executed in March, 1926, as of October 1, 1925, and renewed for another five years on October 1, 1930, by which leases the Deep Rock purported to lease from the Deep Rock Oil and Refining Company, hereafter referred to as Refining Company, certain oil properties and a cracking plant. The bill alleged the leases were fraudulent devices by which there was diverted from Deep Rock to Standard, as the purported owner of all the Refining Company's stock, the large rental charges mentioned in the Taylors' accompanying letter. The bill also attacked the Byllesby Engineering and Management Corporation charges, a wholly owned Standard subsidiary. Other charges of mismanagement were alleged against Standard's control of Deep Rock. After receivers were appointed Standard filed with the court its claim against the Deep Rock wherein it showed total debits charged from June 1, 1919, to February 28, 1933, in the sum of $52,529,709.34, with total credits of $43,187,066.97 leaving a bookkeeping balance against Deep Rock in the sum of $9,342,642.37. The receivers denied the validity of the whole claim on the ground that the Standard, as the controlling stockholder, had operated the Deep Rock in such a manner as to make it a mere agency or department of Standard, which, if true, would result in a disallowance of Standard's claim in toto. The receivers also contended that if the court found Deep Rock was not a mere agency and department of Standard, then the items for rentals, $4,525,000.00, the Engineering and Management Corporation's supervision fees of $1,219,034.83, certain interest, taxes and dividend charges, as well as other specified debits should be disallowed. Standard's claim with the receivers' answer and counter claim were referred to a Special Master on the 5th day of January, 1934, with directions to hear all the evidence and return all the evidence to the court with his findings of fact and conclusions of law. A part of the evidence had been taken when on June 19, 1934, the undersigned was appointed Trustee in a proceeding in Bankruptcy under Section 77b of

the National Bankruptcy Act. The Standard then filed its aforesaid claim in the Bankruptcy case. The Trustee filed his objections to the whole claim, alleging therein that Standard, as the controlling stockholder, had so managed and operated the Deep Rock as to make it a mere agency and department of the Standard, which, if true, would result (1) in the disallowance of Standard's whole claim, and (2) render (a) Standard liable for Deep Rock's debts and (b) Deep Rock liable for Standard's debts. (Standard's funded debt alone is $73,649,500.00). See 139 Fed. 546, and 157 Fed. 609, 3 F. Supp. 958, 71 F. (2d) 802, 29 F. (2d) 623, 49 F. (2d) 146, and 25 F. (2d) 592.

The Trustee (as did the receivers) also objected to the allowance of the $4,525,000.00 rental charges, the $1,219,034.83 Byllesby Engineering and Management fees, the $840,672.00 December 1928, dividend on Standard's common stock, certain tax debits, discount of $170,000.00, and compound interest at 7 per cent, etc. Although under the law of Illinois, which controls the interest rate, a corporation can not plead usury, nevertheless the Trustee contends that 5 per cent simple interest is all that can be allowed in view of the fact no written contract was executed by Deep Rock wherein it agreed to pay 7 per cent. The compound interest in the open account charges slightly exceeds $100,000.00 which can not be allowed. Standard in support of the debit item of $4,819,222.07, "interest on open account balances" contends (a) that it rendered monthly statements to Deep Rock showing interest charged at the rate of 7 per cent on average daily balances to which Deep Rock made no objection and thereby converted the claim into an "account stated", (b) that compound interest, although not collectible by an action at law or in equity, when once voluntarily paid, can not be recovered by the debtor and this is true under the Illinois law. (Deep Rock paid $922,432.83 of the "interest on open account balances" leaving unpaid $3,896,789.24). Standard also contends that as it was not in the banking business but actually borrowing money at a higher rate than 7 per cent it was in effect lending its credit to its subsidiary corporation and that 7 per cent compounded was reasonable and just and having been agreed to by Deep Rock its interest debits are valid and should be allowed. The difference between the debit of $4,819,222.07, as "interest on open account balances" and simple interest thereon at 5 per cent is $1,748,785.58. This is a large sum directly in dispute and involved in doubtful re-

sults. (As tending to support Standard's interest charges, see 7 F. Supp. 526, and 7 F. (2d) 999).

The Trustee seeks the cancellation of the October 1, 1930, Refining Company lease and a finding and adjudication that the Refining Company is a mere agency and department of the Deep Rock and that both leases, the one of October 1, 1925, as well as the renewal lease of October, 1930, were equivalent to leases from Deep Rock, as lessor, to itself as lessee and were devised as a fraudulent scheme to enable Standard to use them as mere conduits through which to divert from Deep Rock to Standard the large rentals by way of having the Refining Company declare dividends out of monthly rental charges which Standard, claiming to own the Refining Company stock, charged to Deep Rock. The Trustee claims the Refining Company stock belongs to Deep Rock and that it is a mere agency and department of Deep Rock and was so operated and conducted.

The Refining Company is indebted by its 7 per cent January 1, 1931, promissory note to Standard, in the sum of $1,894,592.11, less an August, 1933 credit of $12,500.00, leaving principal and interest up to June 19, 1934, (date of Bankruptcy proceedings) due Standard in the sum of $2,341,083.27. If the Refining Company is a Deep Rock department and agency then Deep Rock is liable to Standard for the unpaid balance on this note with interest up to June 19, 1934, totaling, principal and interest, the sum of $2,341,083.27. Adding this sum to Standard's open acount balance of $9,342,642.37 we find Standard on the date of the bankruptcy proceedings with a claim against Deep Rock in the sum of $11,683,725.64 plus 5 per cent interest on a large part thereof from February 28, 1933, to June 19, 1934. (Interest calculation since February 28, 1933, not attempted here).

April, 1928, Settlement.

On February 24, 1928, Standard claimed an open account balance against Deep Rock in the sum of $6,836,195.85. Standard also held Deep Rock's December 31, 1926, 6 per cent promissory note due December 31, 1931, in the sum of $4,250,000.00, making a total of $11,086,195.85. In April 1928, Standard received from Deep Rock 222,448 shares of Deep Rock's no par value common stock on the basis of $50.00 per share and cancelled (a) its open account balance against Deep Rock and (b) Deep Rock's note for $4,250,000.00. Of the debit

charge of $4,525,000.00, Refining Company rentals, $1,475,000.00 were paid by this common stock transaction. Of the debit charge of $1,219,034.83, Byllesby Engineering and Management Corporation supervision fee, the sum of $519,034.83 was paid in this April, 1928, common stock transaction. At the same time Standard cancelled its open account balance and the $4,250,000.00 Deep Rock promissory note, it surrendered to Deep Rock 90,000 shares of $100.00 par value preferred stock in exchange for 180,000 shares of Deep Rock's common stock. This transaction in no way injured the Deep Rock. It was beneficial to the Deep Rock and its preferred stockholders and the Trustee is advised by his counsel that it would be unwise to undertake to go back beyond this April, 1928, settlement. The unpaid part of the Refining Company rentals is $3,050,000.00. The unpaid part of the Engineering and Management Corporation supervision fee is $720,000.00. The interest charged by Standard at 7 per cent compound on the unpaid rentals and Engineering and Management fees amounts to $650,098.02, which is a part of the $4,819,222.07 "interest on open account balances" charged in Standard's claim.

Assuming the Deep Rock is not a mere agency and department of the Standard, the Trustee contends that the following should be deducted from the Standard's claim:

(a)	Illegal and excess interest charged on open account since February 24, 1928	$1,179,783.58
(b)	Refining Company rentals charged since February 24, 1928	3,050,000.00
(c)	Engineering and Management supervision fees charged after February 24, 1928	720,000.00
(d)	Refining Company's Federal Income Taxes charged Deep Rock after April, 1928	60,750.00
(e)	Dividend on common stock declared December 31, 1928	840,672.00
(f)	7 per cent interest charged from January 15, 1929, to February 28, 1933, on the above dividend	252,000.00
	Total	$6,103,205.58

Deducting the above total of $6,103,205.58 from Standard's

balance of $9,342,642.37, leaves a balance in Standard's favor of $3,239,436.79. To this balance should be added the balance due on the Refining Company's January 1, 1931, note to Standard, with interest to June 19, 1934, to-wit, $2,341,083.27 which makes a balance in favor of Standard in the sum of $5,580,520.06, plus 5 per cent simple interest on Standard's open account balance from February 28, 1933 to June 19, 1934.

In cancelling the October 1, 1925, lease and adjudging the Refining Company's stock belongs to Deep Rock, a court of equity (and the Bankruptcy Court exercises equity powers) would more than likely charge back to Deep Rock in Standard's claim the $649,999.00 (cost of Bradstreet properties) Standard placed to Deep Rock's credit in 1925 as consideration for the Refining Company Stock. Interest at simple 5 per cent for 8 years and 8 months, $281,666.22, added to principal, is $931,665.22. If this is a "throw back" into Standard's claim then it gives Standard, after rental, excess interest, illegal tax charges, $840,672.00 1928 dividend with interest, and Engineering and Management fee deductions, a balance of $6,512,185.28. If the December 31, 1928, dividend of $840,672.00 plus $252,000.00 interest, to-wit, $1,092,672.00 is sustained in Standard's claim that amount would have to be added to the $6,512,185.28, making a total balance in favor of Standard on its claim of $7,604,857.28, on a parity with noteholders and other creditors of Deep Rock, unless Deep Rock is adjudged a department of the Standard.

In view of the Delaware (Deep Rock is a Delaware corporation) "wasting assets" rule regarding declarations of dividends and the well established rule that (a) declaring dividends is largely in the discretion of the directors, (b) that to recover them the Trustee must prove they were declared out of capital and not in good faith, the elimination of the December, 1928, $840,672.00 dividend and interest thereon presents a debatable issue. As Deep Rock's properties were not commingled with Standard's, as Deep Rock maintained the form of a corporation and paid its own officers and employees, had outstanding in the hands of the public 49,031 shares out of 50,000 shares of preferred stock, and as the Deep Rock's $10,000,000.00 noteholders purchased Deep Rock notes and not Standard notes (68 Fed. 105), the Trustee's contention it was an agency and department of Standard is a debatable issue. (41 F. (2d) 676, and Cardozo in 155 N. E. 58, 3 F. Supp, 958, 71 F. (2d) 802, 176 Fed. 362, and Powell on Parent and Subsid-

iary Corporations, page 8, et al.). The Special Master, Hon. Preston C. West, not only an able lawyer but a citizen of high character, after consideration of the objections of the Taylors, the oral argument of their counsel and their elaborate brief, filed a 47-page typewritten report recommending the approval of the compromise. After stating the contention of the Trustee and the Taylors that the Deep Rock was an agency and department of the Standard, the Special Master said this "problem is bound to be affected by the judicial temperament, previous habits of thought, and individual point of view of the Judge, or Judges, pronouncing the judgment". This is a finding that the issue is debatable. Standard's offer of compromise eliminates disputed items. Standard proposes to accept an allowance of $2,376,076.31, that being the amount advanced and paid out by Standard for Deep Rock to persons other than the Byllesby group since the April 12, 1928, settlement in and by which Standard received Deep Rock common stock in satisfaction of all its claims. Added to this is 5 per cent simple interest since date of each payment or advancement to February 28, 1933, to-wit, $407,886.18, plus 5 per cent simple interest on the $2,376,076.31 from the aforesaid date to entry of judgment on the claim. The subordinated allowance to Standard of $1,585,485.18 is the result of deducting the $1,475,000.00 Refining Company rentals charged before March 1, 1928, and paid in common stock on April 12, 1928, from the total of (a) the Refining Company's January 1, 1931, 7 per cent note for $1,894,592.11 (plus interest) and (b) the cost of the Bradstreet properties, $650,000.00, paid for by Standard but now to be turned over to Deep Rock (under the compromise) through assignment of the 9,000 shares of Refining Company stock. Under the compromise offer R. J. Graf deeds the cracking plant to Deep Rock, and Standard cancels all its claims against the Refining Company, including its January 1, 1931, note for a balance of $1,882,092.11. Rejection of Standard's offer might entail heavy losses on Deep Rock's creditors and its acceptance may wipe out the equity, if any, of the stockholders.

The Trustee believes the Deep Rock has possibilities justifying the conviction that it should be reorganized and refinanced at an early date with a view to paying all its debts and eventually giving its stock a substantial value. A continuation of the litigation with Standard may postpone a reorganization for a year or more. The Standard's offer of compro-

mise put the Trustee in a position of grave responsibility. He has no bias in the matter. The Trustee did not initiate negotiations for a compromise and realizing his high fiduciary position he and his counsel refused to "talk compromise" until all the evidence was introduced and the hearing before the Special Master was closed. On the whole he believes the proposed compromise is better than a continuation of the litigation.

The Special Master in his report says:

"In spite of the insistence of the two Objectors that the compromise offered by the Standard, acceptance and approval of which is recommended by the Trustee, is unjustified and should be rejected, the Master, after long and studious consideration of the record, has reached an exactly opposite conclusion."

On page 43 of the Master's report, he says:

"Undoubtedly the amounts involved preclude even a hope that this litigation would end in the trial court, if the cause proceed throughout at arm's length, and either Claimant or Trustee be allowed the full measure of relief to which they respectively assert they would be ultimately entitled. And, conceivably, it could result, that after two or three years of strenuous litigation, and a trip to the Supreme Court of the United States, the parties would again be remitted to this forum, with a great many subsidiary questions remaining still to be finally settled."

Again on page 45, the Master says:

"The Trustee is not dealing with his own individual affairs. He is handling the rights and properties of cestuis que trustent. Personally, he might prefer to risk all the chips on a single draw, but it would seem that common sense and common justice demand a somewhat different course when other people's money is involved."

The Trustee has nothing to do with the present or any future plan of reorganization. However, regarding any reorganization plan two things are obviously necessary to an equitable plan: (a) determination of the question as to whether or not Standard is a creditor and if a creditor (b) the amount that should be allowed to it as a creditor.

Upon the settlement of this question it will be up to the

creditors and stockholders to work out a plan of reorganization or liquidation of the corporation, a matter in which the Trustee is not concerned.

This statement is fully approved by my counsel.

Any stockholder or creditor wishing to be heard in opposition to the compromise should file his objections in the United States District Court at Tulsa, Oklahoma, in cause entitled "In the Matter of Deep Rock Oil Corporation, Debtor, Bankruptcy No. 2318 Consolidated," on or before the 16th day of September, 1935.

Dated this 23rd day of August, 1935.

H. N. GREIS, Trustee.

John M. Taylor and Wm. H. Taylor, 708 Provident Trust Bldg. Philadelphia, Pa.

August 23, 1935.

To The Noteholders and Preferred Stockholders of Deep Rock Oil Corporation:

The undersigned, John M. Taylor and William H. Taylor, who are holders of 550 shares of the Preferred stock of Deep Rock Oil Corporation, have taken steps to oppose the proposed compromise of the Standard Gas and Electric Company claim. We believe this compromise proposal is highly detrimental to the interests of both Noteholders and Preferred Stockholders.

Enclosed herewith is a full statement of our position in this regard, which it is for your interest as a security-holder of Deep Rock to read and understand. The situation is one which requires immediate action on the part of security-holders for the proper protection of their investment.

After reading the enclosed letter if you are interested in our position let us hear from you.

Very truly yours,

JOHN M. TAYLOR and
WILLIAM M. TAYLOR.

John M. Taylor and Wm. H. Taylor, 708 Provident Trust Bldg., Philadelphia, Pa.

August 23, 1935.

To The Noteholders and Holders of Preferred Stock of Deep Rock Oil Corporation:

We, the undersigned, John M. Taylor and William H. Tay-

lor, are holders of 550 shares of the Preferred Stock of Deep Rock Oil Corporation (formerly known as Shaffer Oil & Refining Company) which we purchased in 1926 at a cost of about $48,400.00. After receiving the proposed Plan of Reorganization of this Company, we hired counsel to investigate the situation. We found that receivership over the Company had been pending in the Federal District Court at Tulsa, Oklahoma, since March 1, 1933, and that a Trustee in Bankruptcy had been appointed under Section 77-B of the Bankruptcy Act, in June, 1934. The Trustee has been operating this Company since then. We will herein refer to the Deep Rock Oil Corporation as the "Debtor."

Under the plan as proposed by the "Debtor" Corporation on August 20, 1934, and recommended by the Reorganization Committee, the Noteholders, for their Ten Million Dollars ($10,000,000.00) of outstanding March 1, 1928 notes, would receive Ten Million Dollars ($10,000,000.00) of 15 year six per cent Income Debentures and 80,000 shares of Common Stock. The Standard Gas and Electric Company, hereinafter referred to as Standard, would receive for its alleged claim against "Debtor" of $9,342,642.37, a total of 25,000 shares of Seven ($7.00) Dollar Cumulative Preferred Stock and 390,000 shares of Common Stock. The Preferred Stockholders, for their 50,000 shares, would receive 50,000 shares of Common Stock. It should be noted that Standard owns 969 shares of Preferred and the public owns 49,031 shares. The Common Stockholders presumably get nothing.

Thus the effect is to create a new corporation, having an income debenture issue of Ten Million Dollars ($10,000,000.00) in 15 year notes which would pay interest only when earned by the Company and to have outstanding the Twenty-five Thousand (25,000) shares of Seven Dollar Cumulative Preferred stock and Five Hundred Twenty Thousand (520,000) shares of Common Stock. Of this capital structure, Standard would own all of the Preferred Stock and approximately Seventy-five per cent (75%) of the Common Stock. The Preferred Stockholders would receive for their stock, under the terms of this proposed Plan, slightly less than ten per cent (10%) of the Common Stock of the New Company. This Plan leaves Standard in control of the "debtor" or any new corporation organized under the Plan.

Apparently the primary justification for this Plan as urged

by the Committee is that the Standard's large claim entitles it to treatment as a creditor on a parity with the noteholders and ahead of the Preferred Stockholders. Thus, the Committee and the "debtor" corporation in effect argue that, by the terms of the Plan, the Noteholders are being benefited by subrogating Standard's indebtedness to the note issue and the Preferred Stockholders are given a slight equity, although, strictly speaking, their rights would be wiped out by virtue of the large indebtedness due to Standard which eats up the remaining equity in the Deep Rock assets. The Crux of the Situation With Reference to the Fairness of This Plan of Reorganization Thus Revolves Upon the Question of the Validity and Extent of the Standard's Claim.

The claim of the Standard is based upon an open account, showing transactions in credits and debits from 1919, to February 28, 1933, the date of receivership. The charges against Deep Rock made by Standard total the sum of $52,529,709.34, with credits during the period of $43,187,066.97, leaving a net balance against "debtor" in favor of Standard in the sum of $9,342,642.37. As a matter of strict bookkeeping, the figures are apparently correct. An analysis of these figures, however, discloses an amazing story.

It is to be kept in mind that practically throughout the period in question, Standard owned between 95 and 98 per cent of the Common Stock of the "debtor" corporation, and was in complete control of the selection of the Directors and Officers of Deep Rock since the Spring of 1921. Apparently at no time did anyone interfere or attempt to interfere with the complete and absolute control by Standard of the affairs of Deep Rock. A large portion of the debits which make up the Standard's claim are bookkeeping transactions entered under directions from the Auditing Department of Standard to its subordinates in the Auditing Department of the Deep Rock.

Among the charges thus made by Standard against Deep Rock is an item of $4,525,000.00 as rental charge for certain properties covered by a five-year lease dated October 1, 1925, between Deep Rock Oil & Refining Company (hereafter called Refining Company) and the Debtor Corporation, which was renewed on October 1, 1930, for another five year term at a rental of $600,000.00 per year. The Refining Company's leases to the "Debtor," as disclosed by the evidence before the Special Master, were a gross fraud on the Debtor Corporation.

These leases were made for the benefit of the Standard, were executed on Standard's orders and to the great injury of the Debtor Corporation.

We cannot hope, within the confines of this letter, to tell you the details of this transaction. Suffice to say, that it was, in essence, a transaction whereby some of Deep Rock's assets were appropriated to the Refining Company, which was nothing more than a dummy corporation set up by Standard. The original lease, though dated October 1, 1925, was enclosed in a letter dated March 19, 1926, from the General Auditor of Standard to the Auditor of Deep Rock directing its execution, without attempt at explanation. In their testimony, neither of these Auditors knew why the lease was executed, who decided on its terms, or the reason for its being dated back, although it burdened the "debtor" with a rental charge of $225,000.00 for the last three months of 1925 and $50,000.00 per month for the next four years and nine months. The property leased really belonged to the "debtor," and the transactions were fictitious as in law and fact they were leases by the debtor to itself. Not only was the creation of this lease wholly inexcusable but its terms were so onerous as to necessarily inflict upon Deep Rock tremendous losses.

For the two years since the inception of the receivership, Standard has failed to come into Court and ask that either the receiver or the Trustee of Deep Rock pay anything in the way of rent for the properties covered by this lease, although the Receiver and the Trustee were at all times in possession. It requires little acumen to discern that if Standard had any reasonable basis for claiming that its lease was valid, it would not be foregoing by this inaction something in the neighborhood of $1,350,000.00 in rental up to date which presumably should have accrued since the inception of the receivership and which would, if valid, be a prior charge upon the receivership assets. In the record of proceedings in connection with the contest of the Standard claim, which contains several thousands of pages of transcript and records, Standard makes hardly the semblance of a justification for its action in connection with the creation of this lease and the charges under it although it charged the monthly rentals to the Debtor. Yet, it is by the creation of this lease that rental items totaling $4,525,000.00 constitute a part of the debits of $52,529,709.34. Interest at the rate of seven per cent per annum was computed monthly and compounded on average daily balances for the preceding

month and charged to Debtor and when balance was in favor of Debtor and against Standard the Debtor was credited with the same rate of interest computed and compounded in the same manner.

Other items in the Standard debits include a Supervision Fee of $1,219,034.83, charged by Byllesby Engineering and Management Corporation, a wholly owned subsidiary of Standard. The record before the Special Master discloses that the Engineering and Management Corporation was experienced only in the public utility field and knew nothing about the oil business; that the charges thus made were purely arbitrary ones imposed by Standard in its own uncontrolled discretion, without even the formality of a written agreement. No semblance of any service in that amount or in any appreciable fraction of it appears from the record in the case.

Other items in the debit column are dividends on preferred and common stock totaling approximately $3,500,000.00 at a time when the company's earnings do not appear to have warranted the payment of such dividends. The record discloses that, had Deep Rock used the basis for depreciation and depletion which it used in its income tax returns filed with the Federal Government, it would have disclosed losses for those years instead of profits.

Other items in Standard's debit column are interest and discount charged by Standard to Deep Rock of approximately $6,489,000.00, of which one item is entitled "Interest on Open Account Balances" in the amount of $4,819,222.07. This last item constitutes a seven per cent interest charge on the open account balance compounded as above stated between Standard and Deep Rock and assumes that all of the charges against Deep Rock are justifiable and maintainable.

The total of the specific debit items which we challege is $18,883,031.39, which if disallowed from the Standard claim, would leave a credit balance against Standard in favor of Deep Rock in the amount of $9,540,389.02 over and above the complete disallowance of Standard's claim against Deep Rock.

It is Furthermore the Claim of Our Counsel that, upon the Theory that Deep Rock was a Wholly Dominated Subsidiary of Standard, all of the Advancements of Standard to Deep Rock be Deemed Capital Investments, and as Such, Should not be Subject to Withdrawal by Standard as Against the Noteholders and Preferred Stockholders of Deep Rock. Should

this Theory be Upheld by the Court, it Would Cause the Disallowance in Full of the Standard Claim and Result, as We Contend, in Leaving Standard Indebted to Deep Rock in an Amount Sufficient to Pay in Full All of the Outstanding Notes of Deep Rock, as Well as the Face Value of All of the Preferred Stock.

The proposed compromise of Standard's claim allows Standard $2,783,962.49 plus interest at 5 per cent per annum on $2,376,076.31 from February 28, 1933, to date of judgment, on a parity with the Noteholders and a claim of $1,585,485.18, plus 5 per cent interest thereon from August 5, 1933, to date of judgment. This last mentioned sum is to be subordinated to the noteholders, but is to be ahead of the rights of the Preferred Stockholders. Thus, the Standard's claim on the proposed compromise basis, with interest to February 28, 1933 (only) amounts to $4,368,447.67.

At the time of the hearing before a Special Master on the question of the acceptance of this compromise proposal, we, through our counsel, were the only ones who appeared to object. The objections filed by our Counsel and brief in support thereof cover approximately one hundred pages of typewriting on legal size paper. The details of these objections and the brief in support thereof are available to any Noteholders or preferred Stockholders who desire to inspect them. We, of course, cannot hope to present that detail in this letter. It has been our position that an acceptance of this compromise is entirely unwarranted under the facts of this situation; that the management of Deep Rock by Standard has been grossly fraudulent and detrimental to the interests of the investing public; that the claim of Standard is not legally valid, and should be disallowed in its entirety; and that Standard should, on top of that, be held liable in an amount sufficient to pay in full the investment of the Noteholders and Preferred Stockholders of Deep Rock.

In our opinion, this compromise offer benefits no one but the Standard. From the standpoint of the Noteholders under the Reorganization Plan, the entire Standard claim was subrogated to them, whereas, on the compromise settlement basis, $2,783,962.49 is allowed Standard as a creditor on equal plane with other creditors, plus 5 per cent simple interest on $2,376,076.31 from February 28, 1933 to date of judgment.

From the standpoint of the Preferred Stockholders, it must

be borne in mind that the only evidence in the record as to the value of the Debtor's assets is the opinion of one witness who testified that he was of the opinion that at the time receivers were appointed on March 1, 1933, Debtor's assets were of the approximate value of $12,000,000.00. If that figure is correct, or substantially correct, the allowance of the Standard claim in any substantial amount will serve to wipe out the interest of the Preferred Stockholders. The wiping out of the Common Stock is of no significance because it has no value but in view of the fact Standard owns approximately 98 per cent of the Common Stock, wiping it out is purely theoretical. Especially is this true if Standard gets all the remaining equity in the corporation's assets by means of the allowance of its claim or any substantial amount thereof.

On the Other Hand, if the Compromise is Rejected, and if the Standard Gas is Held Liable in Accordance with the Claim of our Counsel, it will Have to Pay Over Sufficient Funds to Permit Full Payment of the Investments of Both the Noteholders and Preferred Stockholders.

The advisability of approving or rejecting the proposed compromise of Standard's claim was referred by the United States Court to Honorable Preston C. West, a member of the Tulsa Bar, for his consideration and recommendations. After publishing in the Chicago Tribune and Tulsa World notice of the time and place of hearing the application for approval of the compromise, a hearing was had before the said Special Master on the 25th day of March, 1935, at which hearing our counsel appear and presented objections to the compromise. These objections were overruled and on May 11, 1935, the Special Master filed his report recommending the approval of the compromise. Then on notice to Stockholders and Creditors, the Master's report, to which our counsel filed exceptions, came up for hearing before the court at Tulsa on June 3rd and 4th. At this hearing before the court on June 3rd and 4th, our counsel appeared on our behalf (no other Stockholders or Creditors appearing) and presented our objections to the court. Counsel for the Standard, counsel for the Reorganization Committee, and counsel for the Trustee appeared and recommended the confirmation of the Master's report and approval of the proposed compromise. Those Stockholders and creditors who agree with us that the compromise should be rejected should take immediate steps to intervene in "Bankruptcy No. 2318 Consolidated" in the United States Court at Tulsa

and make known to the court their objections and reasons therefor. This should be done immediately as otherwise the court may act on the matter one way or the other before you intervene.

After we have learned the names and amount of security held by each of the Security-holders who desire to support our position in this matter, we shall take the necessary steps for the formation of an independent Committee. We desire the support of both Preferred Stockholders and Noteholders, irrespective of whether they have deposited their securities with the present Committee.

We cannot urge too strongly upon you—That this situation is one that requires your immediate action for the protection of your investment. We shall be glad to make available any further information which we may have, upon inquiry from any security-holders.

Very truly yours,

JOHN M. TAYLOR and
WILLIAM H. TAYLOR.

Reorganization Committee for Deep Rock Oil Corporation.

August 26, 1935

To the Holders of the 6% Convertible Gold Notes, due March 1, 1933, 7% Convertible Gold Notes, due March 1, 1937, and $7 Cumulative Convertible Preferred Stock and Creditors of Deep Rock Oil Corporation (formerly Shaffer Oil and Refining Company):

You have received, or may shortly receive, a communication addressed to you by John M. Taylor and William H. Taylor, owners of 550 shares of preferred stock of Deep Rock Oil Corporation, attacking the proposed compromise of the contested claim of Standard Gas and Electric Company, together with an accompanying statement by the Trustee appointed for Deep Rock Oil Corporation by the United States District Court for the Northern District of Oklahoma.

The offer of compromise was made by Standard Gas and Electric Company for the expressed purpose of facilitating a reorganization and avoiding extensive litigation, and its ac-

ceptance has been recommended by the Trustee and his counsel as the result of a careful consideration of a voluminous record produced in connection with hearings which have occupied many months of time. The compromise has received the approval of the Special Master appointed by the court, who filed a lengthy and careful report setting forth his conclusions, which were based upon his study of the record before him.

The two preferred stockholders named above were the sole objectors to the acceptance and approval of the compromise at the hearings held before the Special Master in March and the court on June 3 and 4, 1935. They have based their objections upon evidence appearing in the record, which have been given careful consideration by the Special Master, the Trustee and his counsel, and which must be considered by the court.

A determination of the desirability of the proposed compromise involves many intricate questions which cannot be fully and adequately discussed by letter. The only proper place to discuss and present the questions involved is before the court which must decide them. The proposed compromise is now pending before the Federal Court in Tulsa, Oklahoma, which has before it a complete record of all facts and has heard or will hear arguments of all counsel who desire to appear in support of or in opposition to the compromise.

We believe that it is important for you to give consideration to the following fundamental aspects of the situation:

(a) The Special Master and the Trustee, both of whom were appointed by the court and the Trustee's counsel after an exhaustive study of the questions involved have recommended the compromise. All of these men were appointed by the court and have no connection with Standard Gas and Electric Company.

(b) The court which will decide whether the compromise should be approved will give appropriate weight to the objections of the above-named stockholders, and will approve the compromise only if satisfied that the best interests of all parties will be served thereby.

As a result of an independent study made by us and our counsel a year ago and in view of the recommendation of the Trustee

and the Special Master, we believe that the compromise should be accepted and approved. A failure to do so will necessarily involve a protracted delay in the consummation of any plan of reorganization, postpone for the security holders of Deep Rock any opportunity to realize a return on their investments and subject the properties of Deep Rock to the expense and burden of extensive litigation.

We recommend that you give careful study to the full statement of the Trustee which discusses the contentions of the objecting preferred stockholders named above.

As of August 7, 1935, the holders of approximately 80% of the outstanding notes of Deep Rock, and the owners of approximately 65% of the outstanding preferred stock, have deposited their securities with the undersigned Committee.

The Committee will be glad to give you any further information if you will communicate with the Secretary, Mr. R. Miles Warner, Room 1100, 231 South LaSalle Street, Chicago.

JOHN J. SHINNERS,
NEWTON P. FRYE,
ROBERT F. HOLDEN,
JOHN H. MASON,
GRAYSON M.-P. MURPHY,
ALBERT J. ROBERTSON,
Reorganization Committee.

Intervener's Exhibit I.

(This exhibit is a report of the Utility and Industrial Corporation for the year ended December 31, 1936. It shows the following as its officers and directors:

Robert J. Graf.....President and Director
Joseph H. Briggs.....Vice-President and Director
Edward K. MacDonald.....Vice-President and Director
John J. Shinners.....Director
William G. Pohl.....Secretary, Treasurer and Director
Herbert List.....Asst. Secy, and Asst. Treas.

It states that Mr. John J. O'Brien, who was president of the Corporation, died on August 7, 1936. Its balance sheet shows total assets of $16,456,308.15 and liabilities, excluding common stock, of $6,737,046.15. A page entitled "Utility

and Industrial Corporation Investments" as December 31, 1936, shows that it owns preferred and common stocks whose estimated market value as of December 31, 1936, is $5,020,-998.25. On this page it appears that the Utility and Industrial Corporation owned, as of December 31, 1936, 6,000 shares of seven dollar cumulative preferred stock of Deep Rock Oil Corporation.)

Amended Plan of Reorganization appears on pages 40 to 67

717

Reorganization

OF

Deep Rock Oil Corporation

(Formerly Named Shaffer Oil and Refining Company)

Contents:

1. **Explanatory letter to Security Holders and Creditors, Pages 1 to 12.**
   - (a) **Appendix I, Page 13.**
   - (b) **Appendix II, Page 17.**
   - (c) **Appendix III, Page 28.**
   - (d) **Appendix IV, Page 37.**
2. Amended Plan of Reorganization, Pages 40 to 67.
3. Deposit Agreement dated as of August 9, 1934, as amended November 10, 1936, Pages 68 to 99.

Reorganization Committee:

JOHN J. SHINNERS, Chairman
NEWTON P. FRYE
ROBERT F. HOLDEN
JOHN H. MASON
GRAYSON M.-P. MURPHY
ALBERT J. ROBERTSON

Depositary:
THE FIRST NATIONAL BANK OF CHICAGO,
38 South Dearborn Street,
Chicago, Illinois.

Secretary:
R. MILES WARNER,
Room 1100—231 So. La Salle St.,
Chicago, Illinois.

Sub-Depositary:
THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK,
11 Broad Street,
New York, New York.

Counsel:
CUTTING, MOORE & SIDLEY,
11 So. La Salle Street,
Chicago, Illinois.

THE TWENTIETH CENTURY PRESS—CHICAGO

COMMITTEE EXHIBIT NO. 1

To the Holders of the

6% Convertible Gold Notes, due March 1, 1933;

7% Convertible Gold Notes, due March 1, 1937, and

$7 Cumulative Convertible Preferred Stock and

Creditors of Deep Rock Oil Corporation (formerly Shaffer Oil and Refining Company):

EVENTS LEADING UP TO AMENDED PLAN

Under date of August 21, 1934 we forwarded to you an announcement of a Reorganization Plan proposed for Deep Rock Oil Corporation (hereinafter referred to as the "Corporation") in the United States District Court for the Northern District of Oklahoma (hereinafter referred to as the "Court"). The Plan made provision for Standard Gas and Electric Company (hereinafter referred to as "Standard"), which had filed a claim in the bankruptcy proceedings of the Corporation which claim has been contested by the Trustee appointed by the Court in the proceedings for reorganization of the Corporation under Section 77B of the Bankruptcy Act. The Plan provided that, upon the adjudication of the claim of Standard, those holders of convertible gold notes who had theretofore accepted the plan would be given an opportunity to reconsider the Plan and to withdraw their acceptances and deposited securities without expense, if they desired to do so.

The introduction of evidence dealing with the controverted issues presented by the claim of Standard took many months and was concluded on or about March 1, 1935. The issues presented were complex and difficult, involving serious questions of law and fact which gave promise of litigation of protracted duration. Standard, recognizing the urgent necessity for an early determination of this litigation and desiring a speedy reorganization of the Corporation, then made an offer to compromise and settle its claim, subject to the approval of the Court. The Trustee of the Corporation in

Bankruptcy applied to the Court for authority to accept the compromise and the matter was referred to a Special Master, who had conducted the hearings on the Standard claim.

Under date of August 26, 1935 we advised you that the compromise had received the approval of the Special Master and would be presented to the Court for consideration along with the objections interposed by certain preferred stockholders. The Court declined to approve the compromise so made, but urged the desirability of settlement and suggested a reconsideration by Standard to the end that a new offer of compromise might be submitted in connection with a modified Plan of Reorganization.

The parties acted upon the Court's suggestion and numerous conferences were held, with the result that the Corporation, under date of November 9, 1936, filed the amended Plan of Reorganization, which is attached hereto and is in the form prepared by this Committee.

Contemporaneously with the filing of the amended Plan, Standard offered a new compromise of its claim (a copy of which is attached hereto as Appendix I) upon the condition that the Court within ninety days shall confirm a Plan of Reorganization acceptable to Standard and that such order of confirmation shall be affirmed on appeal if an appeal therefrom is taken. The new proposed compromise provides for the allowance of the Standard claim for approximately $5,000,000, of which $1,500,000 shall be held to rank on a parity with the Convertible Gold Notes. The compromise offer further provides for the transfer to the Trustee for the Corporation or to the New Company to result from reorganization, of all of the capital stock of Deep Rock Oil and Refining Company together with all claims of any kind or character against the Refining Company held by Standard and of the land upon which the cracking plant is situated together with the improvements thereon. The new proposal of compromise was accompanied by Standard's acceptance

of the amended Plan of Reorganization attached hereto. Standard is now operating under the jurisdiction of the Federal Court in Delaware in a proceeding under Section 77B of the Bankruptcy Act. The action of Standard in making the new compromise offer and in accepting the amended Plan has been approved by the Delaware Federal Court.

The Court, under date of November 9, 1936, entered an order permitting the Corporation to file the Amended Plan and set for hearing the question of the proposal and confirmation of the amended Plan and the approval of the new offer of compromise on December 12, 1936, on which date the Court will hear objections by any interested party either to the approval of the compromise or to the terms and provisions of the amended Plan. The Court also on November 9, 1936, authorized this Committee to submit the amended Plan of Reorganization to the creditors and securityholders of the Corporation for their consideration and acceptance, and directed that the holders of Convertible Gold Notes and Preferred Stock of the Corporation who have heretofore deposited their securities with this Committee under the original Plan and who do not approve the new offer of compromise or who do not wish to accept the amended Plan might, without expense to them, withdraw the securities theretofore deposited, on or before December 5, 1936. The Court further directed that all noteholders and preferred stockholders who have heretofore deposited their securities with this Committee and who do not exercise their right to withdraw as directed in said order within the period stated shall be deemed to have accepted the amended Plan and to have approved the new offer of compromise of the Standard claim.

We believe that the amended Plan and the proposed compromise of the Standard claim should be supported by all securityholders who desire a reorganization without further delay.

Brief Outline of Amended Plan.

The Amended Plan of Reorganization must be read in its entirety to learn its exact terms. It provides in substance for the formation of a New Company to acquire the business and assets of the Corporation, the assumption by the New Company of the expenses of reorganization and certain other debts, expenses and liabilities referred to in the Amended Plan and the issuance by the New Company of the following securities:

Type of Security	To be Authorized and Issued
Fifteen-Year 6% Cumulative Income Sinking Fund Debentures	$10,000,000*
Common Stock (without par value)	520,000 shares*

*Subject to be increased to meet the requirements of paragraph 8 (d) of the Amended Plan.

Under the Amended Plan the holders of the Convertible Gold Notes will receive all of the new Income Debentures, 7½% of the new common stock and $600,000 in cash, each individual note holder receiving for each $500 principal amount of Notes held:

$500 principal amount of new Income Debentures,
2 shares of New Common Stock and
$30 in Cash.

The holders of the Preferred Stock of the Corporation will receive over 19% of the new common stock, each individual preferred stockholder receiving 2 shares of new common stock for each share of preferred stock now held.

Standard, in full satisfaction of all indebtedness owing to it by the Corporation and by Deep Rock Oil and Refining Company, and in consideration of the transfer to the New Company of all capital stock of Deep Rock Oil and Refining Company held by Standard and of the land upon which the cracking plant is situated, together with the improvements thereon, will receive 380,000 shares of the new common stock, being approximately 73% of such stock.

The following table of distribution shows the treatment to be afforded the various security holders and creditors of the Corporation under the Amended Plan and the basis of the distribution of the new securities:

A. SUMMARY

EXISTING SECURITIES AND INDEBTEDNESS			NEW SECURITIES		CASH
TYPE OF SECURITY OR DEBT	OUTSTANDING		INCOME DEBENTURES	COMMON STOCK	
Convertible Gold Notes	$10,000,000	→	$10,000,000	40,000 Shares	$600,000
Indebtedness to Standard Gas and Electric Company	$9,342,642.37 See Note 1 Below	→	None	380,000 Shares	None
Miscellaneous and Contingent Claims	See Note 2 Below	.....	See Note 2 Below	.....	See Note 2 Below
$7 Cumulative Convertible Preferred Stock	50,000 Shares	→	None	100,000 Shares	None
Common Stock	599,475 Shares	.....	None	None	None

B. BASIS OF DISTRIBUTION

To Individual Security Holders

For Each $500 Principal Amount of Convertible Gold Notes →	$500	2 Shares	$30
For Standard Gas and Electric Company →	None	380,000 Shares	None
For Each Share of $7 Cumulative Convertible Preferred Stock →	None	2 Shares	None

NOTES: 1. The amount of the claim of Standard shown above is taken from the books of the Corporation. As hereinbefore explained, the amount of the claim has been contested and Standard has proposed a new basis for compromising its claim. The foregoing allotment under the Amended Plan to Standard is made (a) in satisfaction of its entire claim against the corporation, and (b) in consideration of its transfer to the New Company of all interest, whether stock or indebtedness, in Deep Rock Oil and Refining Company and of the land upon which the cracking plant is situated, together with the improvements thereon, so that the New Company will be the sole owner of the Refining Company and of such property.

2. The miscellaneous debts, the expenses of reorganization, the receivership obligations not otherwise discharged, the contingent liability of the corporation to the Federal Government for income taxes and certain other debts, expenses and liabilities referred to in the Amended Plan, will be assumed by the New Company. If there should be any other creditors whose claims are not assumed by the New Company or otherwise adjusted, such creditors will be entitled to share in the Amended Plan, as therein provided, on the same basis as the Convertible Gold Notes.

It will be noted that no provision under the Amended Plan is made for the common stock, substantially all of which is held by Standard. The participation of Standard is based upon its position as a creditor to the extent proposed by the new offer of compromise hereinbefore discussed and upon its relinquishment of all interest in the Refining Company and the property upon which the cracking plant is situated. It should also be noted that, although the proposal of compromise places a portion of Standard's claim on a parity with the Convertible Gold Notes, the entire claim of Standard is subordinated by the terms of the Amended Plan to the income debentures to be issued solely to the holders of the convertible gold notes. This is so because Standard receives only common stock for its claim, whereas the holders of Convertible Gold Notes receive a prior security for the full principal amount of their notes and in addition approximately 7½% of the new common stock and $600,000 in cash.

Since the participation of Standard has been based upon the approval of the proposed new compromise submitted by Standard, the Amended Plan provides that the holders of Convertible Gold Notes and the holders of Preferred Stock of the Corporation assenting to the Amended Plan shall be given an opportunity to withdraw their acceptances without expense in case the new compromise should not be approved by the Court.

The new Income Debentures will be dated as of the approximate date of the consummation of the Amended Plan, will be due fifteen years after their date and will bear cumulative interest at the rate of 6% per annum from their date. Interest will not bear interest.

Interest on the Income Debentures will be payable semi-annually out of "available net income" to be computed in the manner prescribed in paragraph 7 (a) of the Amended Plan, which computation follows the basic principles outlined in the original Plan.

The Amended Plan provides that no dividends may be paid by the New Company in cash or in stock until the principal amount of outstanding Income Debentures has been reduced to $5,000,000, and that in no event may any such dividends be paid as long as any back accumulated interest on the Income Debentures remains unpaid.

After the principal amount of outstanding Income Debentures has been reduced to $5,000,000 the New Company will be permitted to pay dividends provided an amount equal to each cash dividend shall be paid into the sinking fund for the retirement of the Income Debentures remaining outstanding, which sinking fund provision shall remain in effect until all of the Income Debentures have been retired. Until the principal amount of outstanding Income Debentures has been reduced to $5,000,000 there shall be paid into the Sinking Fund an amount equal to one-half of the Available Net Income for each calendar year, remaining after the payment of all interest payable upon the Income Debentures out of such Available Net Income and after deducting proper provisions for Federal income taxes during the first taxable year of the new Company and upon the expiration of said first taxable year after deducting Federal income taxes paid.

In lieu of making Sinking Fund payments in cash, the New Company will be permitted to surrender Income Debentures for cancellation and receive a Sinking Fund credit in an amount equal to the purchase price paid by the New Company for the Debentures so surrendered.

Under the Amended Plan, it is provided that the Court by appropriate orders shall retain jurisdiction of the New Company's affairs until the outstanding principal amount of Income Debentures has been reduced to $5,000,000. This jurisdiction shall include the power to name the chief executive officer of the New Company and his successors and to fix the amount of compensation to be paid to such officer. The income debentures will be issued under an indenture to be approved by the court which will contain covenants, as provided in the

amended plan, to protect the holders of the income debentures as fully as provided in the original plan.

PRINCIPAL DIFFERENCES BETWEEN ORIGINAL PLAN AND AMENDED PLAN.

Under the original plan, the holders of the Convertible Gold Notes were to receive $10,000,000 principal amount of Income Debentures and 15% of the common stock of the New Company, Standard was to receive 25,000 shares of new $7 Cumulative Preferred Stock and approximately 75% of the new common stock and the holders of the Preferred Stock of the Corporation were to receive approximately 10% of the common stock of the New Company.

Under the Amended Plan the issuance of new preferred stock to Standard has been eliminated and the participation of the preferred stockholders of the Corporation in the common stock of the New Company has been doubled.

While the holders of the Convertible Gold Notes will receive under the Amended Plan a smaller percentage of the common stock of the New Company, such common stock is not subject to a prior issue of preferred stock as it was under the original plan. In addition, the Amended Plan, unlike the original plan, provides that the Noteholders shall receive $600,000 in cash; that no dividends may be paid by the New Company until half of the Income Debentures have been retired and that thereafter no cash dividends may be paid unless an amount equal thereto be paid into a sinking fund to retire the debentures. These provisions are more favorable to the holders of the Convertible Gold Notes than the corresponding provisions of the orginal plan and should result in a more rapid retirement of the Income Debentures of the New Company than would have resulted under the original plan.

Instead of receiving 25,000 shares of new $7 Convertible Preferred Stock and approximately 75% of the common stock

of the New Company, as provided in the original plan, Standard, under the Amended Plan, receives no preferred stock and slightly less than 75% of the common stock of the New Company. Under the Amended Plan the Court will retain general jurisdiction over the operations of the New Company until the Income Debentures have been reduced to $5,000,000 and the Court, during such period, will name the chief executive officer of the New Company and fix his salary.

In view of the changes which have been made in the Amended Plan, this Committee believes that the position of the holders of the Convertible Gold Notes has been considerably stregnthened, even though their participation in the common stock of the New Company has been reduced. It is obvious that the Amended Plan affords better treatment to the holders of the Preferred Stock of the Corporation than the original plan, because their participation in the common stock has been doubled and it is not subject to a prior issue of $2,500,000 of new preferred stock.

New Financial Data and Other Information.

In order that you may have the benefit of more recent information in connection with your consideration of the Amended Plan, we have attached hereto as Appendix II a statement bringing up to date certain information and financial data contained in the letter sent to you under date of August 21, 1934.

As stated in our announcement of the original plan, this Committee gave primary consideration to earning power rather than property values in formulating the original plan. The same considerations have motivated the Committee in formulating the Amended Plan. The Trustee, however, has recently filed with the Court a tentative appraisal and balance sheet which is attached hereto as Appendix IV.

The Committee is glad to report the conclusion of the matters involving the Corporation in possible liability to

others than the Federal Government in respect of income taxes, which were referred to in the original plan. The questions involved have been determined and the Trustee for the Corporation has received net refunds in the amount of $823,778.59 and may receive an additional amount. The Committee is advised, however, that $257,500 of the amount refunded has been set aside to cover the possibility of the assessment of further taxes against Smathers and Shaffer because of the receipt of interest on the refunds, which additional taxes if any are asserted and established) should be paid from the refunds. An explanation of the disposition of this matter is attached to this letter as Appendix III in the form prepared by counsel in charge of the proceedings dealing with these tax matters. In addition, as is more fully set forth in Appendix III, the Committee is advised that the question of the Corporation's liability to the Federal Government for its own income taxes for the years 1919-21-22 has been definitely settled and that the Corporation is entitled to a refund of approximately $48,000 with respect to its tax for such years.

The situation with respect to the Corporation's own income tax liability for years subsequent to those above mentioned is too complicated to attempt to summarize and, therefore, we have attached hereto as Appendix IV a copy of a letter addressed by Counsel in charge of such tax matters to the Committee regarding these matters.

Acceptance of Amended Plan.

As hereinbefore stated, those who have deposited their securities with the Committee need take no further action if they desire to approve the Amended Plan and the proposed new compromise of the Standard claim. Those who have heretofore deposited their securities with the Committee

and who do not desire to approve the Amended Plan or the new proposed compromise of the Standard claim, must withdraw their acceptances and securities on or before December 5, 1936, which they are entitled to do without expense. Failure to withdraw deposited securities before the date stated will constitute an acceptance and approval of the Amended Plan and the new proposed compromise of the Standard claim.

Those who have not heretofore deposited their securities with the Committee may do so and thereby accept the Amended Plan and approve the new offer of compromise of the Standard claim by executing the enclosed letter of transmittal, and forwarding it, together with their notes or preferred stock, to the First National Bank of Chicago, Depositary, 38 South Dearborn Street, Chicago, Illinois, or to The Chase National Bank of the City of New York, Sub-Depositary, 11 Broad Street, New York, New York.

On page 68 hereof you will find the Deposit Agreement dated as of August 9, 1934 and as amended under date of November 10, 1936 in connection with the filing on November 9, 1936 of the Amended Plan.

It is the opinion of this Committee that the Amended Plan is fair to the holders of the Convertible Gold Notes and the holders of the preferred stock of the Corporation and the Committee recommends the acceptance of the Amended Plan and the approval of the proposed compromise of the Standard claim.

You will be interested to know that as of October 30, 1936, the holders of 82% of the outstanding Convertible Gold Notes and 65% of the outstanding shares of Preferred Stock of the Corporation had deposited their securities with the Committee.

CONCLUSION.

This letter and the attached documents and the Amended Plan should be considered together with the original plan, deposit agreement and explanatory letter forwarded to you under date of August 21, 1934 which contained additional financial and other information including full information regarding the personnel of the Committee. Since the original plan was forwarded to you, Mr. Robert F. Holden, a member of the Committee, has severed his connection with Janney & Co. and has become a special partner in Yarnall & Co., Philadelphia. Yarnall & Co. to a limited extent participated in the distribution of the Convertible Gold Notes of the Corporation and certain securities of Standard.

If you wish additional copies of the original plan, deposit agreement or letter sent to you under date of August 21, 1934, or if there is any further information you desire, it is suggested that you communicate with the Secretary of the Committee (R. Miles Warner, Room 1100, 231 South La Salle Street, Chicago, Illinois), who will give your request prompt attention.

It is hoped that the security holders of the corporation will cooperate fully in order that a reorganization of the corporation may now be speedily accomplished in accordance with the terms of the Amended Plan.

Dated: November 10, 1936.

JOHN J. SHINNERS, *Chairman.*

NEWTON P. FRYE,

ROBERT F. HOLDEN,

JOHN H. MASON,

GRAYSON M.-P. MURPHY,

ALBERT J. ROBERTSON,

Reorganization Committee.

APPENDIX I.

IN THE

DISTRICT COURT OF THE UNITED STATES

FOR THE NORTHERN DISTRICT OF OKLAHOMA

In the Matter of DEEP ROCK OIL CORPORATION, a corporation, Debtor.	In Bankruptcy No. 2138 Consolidated

NEW OFFER OF COMPROMISE OF STANDARD GAS AND ELECTRIC COMPANY, DEBTOR.

Now comes STANDARD GAS AND ELECTRIC COMPANY, a corporation, Debtor in proceedings pending in the United States District Court for the District of Delaware under Section 77B of the Bankruptcy Act of the United States, as amended, known and entitled "In the Matter of Standard Gas and Electric Company, Debtor No. 1204," and pursuant to the approval and order of the United States District Court for the District of Delaware entered November 2, 1936, and recognizing the urgent necessity for an early termination of the litigation long pending between the Trustee for Deep Rock Oil Corporation and Standard Gas and Electric Company and for the reorganization of Deep Rock Oil Corporation, as a compromise and settlement only, offers, subject to the final approval by the District Court of the United States for the Northern District of Oklahoma and subject to the conditions herein provided, to receive in satisfaction of its general unsecured claim for $9,342,642.37 with interest from February 28, 1933 herein:

A. The principal sum of..... $2,376,076.31;
(being the principal amount (after allowing Deep Rock Oil Corporation

credit for payments made by it) paid by Standard Gas and Electric Company to third parties not affiliated with Standard Gas and Electric Company for the account of Deep Rock Oil Corporation since February 24, 1928, for which Deep Rock Oil Corporation was legally obligated to such third parties.) Interest on said principal sum at the rate of 5% per annum from the dates of the several advances constituting said sum to February 28, 1933, being.. $ 407,886.18;

And in addition thereto interest on said principal sum of $2,376,076.31, at the rate of 5% per annum from February 28, 1933 to the date of entry of judgment on this offer; and

B. The sum of..... $1,585,485.18 with interest on $1,597,985.18 from February 28, 1933 at 5% per annum simple interest, to August 5, 1933, and interest on $1,585,485.18 at 5%, simple interest, per annum from August 5, 1933 to the date of entry of judgment on this offer.

C. Of the aggregate sums to be allowed as provided in Paragraphs A and B above, the amount of $1,500,000 shall be allowed upon a parity with the $10,000,000 principal amount of notes of Deep Rock Oil Corporation, dated March 1, 1928, and interest thereon at the rate per annum allowed by the Court in this cause from March 1, 1933 to the date of entry of judgment on this offer, and to be on a parity with other indebtedness of Deep Rock Oil Corporation to other persons; and the balance of said aggregate sum to be subordinated to the $10,000,000 of notes and other indebtedness.

Standard also offers as a part of this compromise to cause the entire issued and outstanding capital stock of the

Deep Rock Oil and Refining Company, consisting of 9,000 shares, to be transferred to the Trustee herein, or the Deep Rock Oil Corporation, and to cause R. J. Graf, Trustee, to execute, acknowledge and tender a deed conveying to the Trustee or to the Deep Rock Oil Corporation, as may be determined, the land covered by the deed from Deep Rock Oil Corporation to said R. J. Graf, Trustee, dated December 6, 1922, together with the improvements thereon, which said deed and certificate for said 9,000 shares of common stock shall be attached to this offer and delivered to the Trustee upon the approval of this compromise and settlement by the Court and upon the final confirmation of a plan of reorganization acceptable to Standard Gas and Electric Company as herein provided. In the event of the approval of this offer of compromise and the confirmation by the Court of a plan of reorganization as herein provided, the said deed and stock certificates shall be delivered to the Trustee, and in the event of the disapproval of this offer of compromise, shall be returned to said R. J. Graf, Trustee, and to Standard Gas and Electric Company.

Standard Gas and Electric Company also offers as a part of this offer of compromise to surrender the promissory note of Deep Rock Oil and Refining Company, dated January 1, 1931 in the principal sum of $1,894,592.11 and all other claims of Standard against Deep Rock Oil and Refining Company.

This offer of compromise is made by Standard Gas and Electric Company upon the express condition that a plan of reorganization for Deep Rock Oil Corporation acceptable to Standard shall be finally confirmed by the District Court of the United States for the Northern District of Oklahoma on or before February 8, 1937 and that such order of confirmation shall be affirmed on review if an appeal be taken therefrom by one or more parties in interest entitled to such an appeal, it being the purpose and intention of the

undersigned Standard Gas and Electric Company that if a plan of reorganization for Deep Rock Oil Corporation, debtor herein, acceptable to Standard, is not finally confirmed by the District Court of the United States for the Northern District of Oklahoma on or before February 8, 1937, or if the order of confirmation of such a plan is reversed if an appeal be taken therefrom by any party in interest entitled to so appeal, this offer of compromise shall thereupon be and become null and void and of no force and effect whatsoever, and Standard Gas and Electric Company, the Trustee for Deep Rock Oil Corporation and all other parties in interest will thereupon be restored to the same position as if this offer of compromise and settlement had not been made.

Standard Gas and Electric Company, pursuant to the approval and direction of the District Court of the United States for the District of Delaware by order entered on November 2, 1936 in the proceedings pending before said Court under Section 77B of the Bankruptcy Act of the United States, as amended, entitled "In the Matter of Standard Gas and Electric Company, Debtor, No. 1204," hereby accepts a certain amended Plan of Reorganization for Deep Rock Oil Corporation, Debtor herein, in the form attached hereto marked Exhibit A and by this reference made a part hereof, and agrees to be bound by all of the terms and provisions of said Plan of Reorganization, upon its confirmation and consummation.

Dated this 7th day of November, A. D. 1936.

STANDARD GAS AND ELECTRIC COMPANY,

By B. W. LYNCH,
President.

Attest:

M. H. MORRISON,
Secretary.

735

APPENDIX II.

Property and Operations of the Corporation.

The Corporation was incorporated in the State of Delaware on May 31, 1919, under the name of Shaffer Oil and Refining Company. Its name was changed to Deep Rock Oil Corporation in 1930. It is a balanced, self-contained unit of the petroleum industry, embracing fully within its own organization complete properties and facilities for the producing, refining, transporting, and marketing of its products. The Corporation manufactures Kant Nock Gasoline and the Deep Rock line of aviation and motor gasolines, naphthas, solvents, kerosenes, lubricating oils, cylinder stocks and heating oils.

The Corporation, on September 30, 1936, owned or controlled oil leases covering 118,323 acres of oil lands located principally in the States of Oklahoma, Kansas, Texas, and Arkansas, of which 9,235 acres were developed. As of September 30, 1936, 488 producing oil wells and 44 gas wells were in operation. The daily average production during the month of September 1936, under proration, was in excess of 5,000 barrels. The Corporation owns and operates three casinghead gasoline plants.

Through its own pipe line gathering system, totaling more than 400 miles, the Corporation gathers and transports all of the crude oil which it refines.

The refinery has a daily capacity of 10,000 barrels of crude oil and is located at Cushing, Oklahoma, in the heart of the Mid-Continent field. It is a completely equipped plant and includes paraffin wax, zero bright stock, and lubricating oil equipment. The Corporation operated under lease from

Deep Rock Oil and Refining Company a modern 4,000-barrel daily capacity cracking plant.

The Corporation on September 30, 1936, had in operation a fleet of 630 tank cars, 575 of which are owned by the Corporation and 55 leased. The Missouri-Kansas-Texas and Atchison, Topeka & Santa Fe railroads, adjacent to the refinery site, serve the Corporation's extensive loading racks and tracks.

The Corporation, directly or through subsidiaries, has retail distributing facilities through which its products are marketed. The principal marketing territory includes the States of Wisconsin, Illinois, Iowa, Nebraska, Minnesota, Oklahoma, North Dakota, South Dakota, Indiana, Missouri, Arkansas, and Michigan.

The foregoing six paragraphs have been furnished to the Committee under date of November 3, 1936 by the Trustee appointed by the Court.

Financial Position.

The report, on the financial position of the estate as of September 30, 1936, rendered by the Trustee appointed by the Court shows as follows: The report disregards all indebtedness of the Corporation, including contingent indebtedness, existing at the date of the receivership, February 28, 1933, and undischarged as of September 30, 1936, and accrued interest thereon. The report, however, includes receivables of the Corporation (other than obligations owing by subsidiaries and Deep Rock Oil and Refining Company except as noted) as of the date of receivership and uncollected as of September 30, 1936.

September 30, 1936

Cash		$4,325,016.09	
Accounts, Notes and Warrants Receivable:			
Notes and Warrants Receivable	$ 70,702.15		
Accounts Receivable	1,577,478.08		
Due from Deep Rock Oil Corporation of Nebraska for Current Purchases	89,618.00		
	$1,737,798.23		
Less reserve*	541,496.07	1,196,302.16	
Inventories:**			
Crude Oil, Refined Products and Supplies		2,534,916.90	
Federal income tax refunds receivable		76,484.26	
Other Current Assets:			
Advances to Agents		21,165.83	$8,153,885.24
Escrow Deposits***		$ 257,500.00	
Other Special Funds		6,631.03	264,131.03
			$8,418,016.27
Less:			
Trustee's Accounts Payable		$ 991,776.72	
Accrual for Taxes		84,429.57	1,076,206.29
			$7,341,809.98

* Bad Debt Reserve of $541,496.07 does not include provision for possible Bad Debt Losses originating from business transacted in certain ancillary receivership jurisdictions during the period of receivership for which additional reserves not to exceed $50,000 it is considered would be reasonable.

** Crude Oil Inventory priced at posted market prices at September 30, 1936, plus transportation costs.

Refined Products at refinery priced at cost based on posted market prices of Crude Oil at September 30, 1936, or at market prices for such refined products, whichever is lower. Refined Products at distributing stations if purchased from others have been priced at cost; if shipped from our refinery, at wholesale market prices at date of shipment plus transportation and other costs. Supplies at the lower of cost or the Trustee's Valuation.

*** Escrow deposits to provide for contingent liability of the Trustee in respect to Federal income taxes which may become payable as a result of interest received in connection with refund of Federal income taxes paid in 1920. Such liability, if any, has not been included in the Trustee's Accounts Payable.

The foregoing is exclusive of any rental which may be allowed by the court to Deep Rock Oil and Refining Company for the period of operation by the Receivers and Trustee. No such rental will be payable if the proposed new compromise of the Standard claim is approved and the amended plan confirmed.

EARNINGS.

The following is a statement of consolidated gross earnings and operating expenses (with supplementary explanations) of the Corporation and its subsidiaries:

	Gross Earnings[2]	[3]Operating Expenses after Adjustments and before Charges as Described Below
Year 1930[1]	$18,629,627.80	$15,778,519.92
Year 1931	13,541,489.80	11,833,734.17
Year 1932	13,285,225.70	11,500,538.73
Year 1933	10,362,544.09	8,932,672.57
Year 1934[4]	12,711,626.41	11,725,566.34
Year 1935[5]	14,293,358.75	12,592,979.22
Nine months ending September 30, 1936[6]	12,098,158.93	10,425,609.92

[1]The 1930 figures exclude the operations of Deep Rock Oil Company (Delaware), a subsidiary, not then consolidated.

[2]Other income included as follows: 1930—$46,000.05; 1931—$75,178.51; 1932—$114,717.33; 1933, 1934, 1935 and Nine months ended September 30, 1936—undetermined amount included in gross earnings.

[3]On the basis of the audits for the years 1931 and 1932 additional reserves for bad debts amounting cumulatively to $113,000 were proposed. Such proposed additional reserves are not included above.

[4]Exclusive of income items amounting to $143,241.40, consisting of interest (net) in the amount of $143,568.64 on refund of Federal taxes paid in 1920 and sundry net debit adjustments in the amount of $327.24, and exclusive of expense items in the amount of $44,669.58, all arising out of transactions prior to receivership and charged or credited to Corporate Surplus Account during the year 1934.

[5]Exclusive of income items amounting to $263,053.89, consisting of interest (net) in the amount of $258,185.81 on refund of Federal taxes paid in 1920 and sundry adjustments in the amount of $4,868.08, and exclusive of expense items in the amount of $6,661.66, all arising out of transactions prior to receivership and charged or credited to Corporate Surplus Account during the year 1935.

[6]Exclusive of adjustment of income items amounting to $441.66, arising out of transactions prior to receivership and charged to Corporate Surplus Account during the nine months ended September 30, 1936.

For the three years and seven months of operations by the Receivers and the Trustee (March 1, 1933, to September 30, 1936), the Receivers and the Trustee reported that the gross earnings from operations of the properties of the Corporation and its subsidiaries for the twelve months ended February 28, 1934, were $10,786,803.83; for the twelve months ended February 28, 193[illegible]—$12,846,571.86; and for the twelve months ending February 29, 1936—$14,432,365.27; and for

the seven months ending September 30, 1936—$9,801,749.18; and that the operating expenses (after making the adjustments and before making the charges referred to below) were, for the twelve months ended February 28, 1934—$8,897,780.27; for the twelve months ended February 28, 1935—$11,907,792.44; for the twelve months ending February 29, 1936—$12,553,102.35; and for the seven months ending September 30, 1936—$8,490,196.88.

All of the above figures disregard the minority interest outstanding in Deep Rock Oil Corporation of Nebraska, a subsidiary.

The figures for the year 1930, 1931, and 1932 are based upon the reports on the accounts of the Corporation and its subsidiaries made by Peat, Marwick, Mitchell & Company, adjusted as hereinafter set forth. The figures for the years 1933, 1934 and 1935 and for the nine months ending September 30, 1936, in respect of subsidiaries are based upon the records of the subsidiaries and, in respect of the Corporation, are based upon the records of the Corporation for January and February 1933 and upon the records of the Receivers and the Trustee for the period subsequent to February 28, 1933, all similarly adjusted. All of these figures are presented and should be considered solely for the purpose of indicating in general the gross earnings capacity of the Corporation and its subsidiaries and the operating expenses for the periods referred to after the adjustments and before the charges enumerated below.

The operating expenses shown above are after eliminating charges for rental of properties of Deep Rock Oil and Refining Company and proprietary company supervision charges and are before making any provision for the following: (a) interest charges, (b) depletion and depreciation, (c) amortization of non-productive leaseholds and amortization of debt discount and expense, (d) cost of dry holes drilled, (e) property abandonments, and (f) oil and gas lease rentals.

The charges for rental of properties of Deep Rock Oil and Refining Company and the proprietary company supervision charges have been eliminated from the operating expenses shown above because they are expenses the new company will not be subjected to under the Amended Plan of Reorganization.

It is difficult to forecast with any accuracy the aggregate charges which will be made against the income of the new company for interest, depletion and depreciation, amortization, dry holes, abandonments and oil and gas lease rentals in determining "available net income." As is noted in the Amended Plan, the Income Debenture Indenture will establish definite methods to be employed for the purpose of determining such of these items as are not self-determining and will require the use of a "depreciation base," which will be approximately one-third of the book values now carried on the books of the Corporation. For general information, the comments below are submitted. In these comments, where the particular charges in the future would not be largely determined by the special required methods of accounting to be set up in the Indenture, the actual charges to the extent available are given for the periods as to which gross earnings and operating expenses have been stated above:

(a) *Interest charges:*

Interest on the Income Debentures to be issued under the Amended Plan is, of course, not noted, because such interest will be required to be paid only out of the "available net income" which will be determined as provided in the Plan after deducting the other items referred to above.

Interest on interest bearing obligations to be assumed by the new company upon reorganization and interest on interest bearing outstanding indebtedness of subsidiaries, as well as

interest on any additional moneys borrowed by the new company or its subsidiaries from time to time, will under the Amended Plan be deducted in determining "available net income."

(b) *Depletion and Depreciation:*

Based upon production for the twelve months ended September 30, 1936, and upon the "depreciation base" above referred to, without specific allocation of values, and assuming estimated oil reserves of 8,589,000 barrels as of September 30, 1936, and applying in substance the principles required in the proposed Income Debenture Indenture, the depreciation and depletion charge has been estimated to be approximately $1,200,000 for that period. It is not to be assumed that this amount will govern in subsequent periods, as the production of each period is largely determinative of the depletion charge.

(c) *Amortization of non-productive leaseholds and Debt Discount and Expense:*

Under the requirements of the proposed Income Debenture Indenture, non-productive leaseholds are to be amortized over the periods of the leases. The Trustee appointed by the Court has allocated to the non-productive leases, which have not been developed to production and which are now included in the assets of the Trustee, approximately $364,000 of the total "depreciation base." The Committee is advised that the average life of such leaseholds is estimated at four years. Applying the principles to be employed under the new Income Debenture Indenture this would require an annual amortization provision on an average basis of approximately $91,000, unless, of course, such leaseholds become productive, in which event they will be depleted on a production basis. The acquisition of additional leaseholds in

the future by the new company may, of course, modify this figure.

The securities to be issued by the new company, it is proposed, will be issued under the Amended Plan without discount, so that for such securities there will be no amortization of debt discount. The new company may, however, desire to amortize the costs and expenses incident to reorganization and the consummation of the Amended Plan, in which event some charge unascertainable at this time will result.

(d) *Cost of Dry Holes Drilled:*

The records for the above mentioned periods show that the costs of dry holes drilled (including dry hole contributions to other companies), charged to reserves, were as follows: 1930, $671,719.72; 1931, $170,484.18; 1932, $36,109.22, and 1933, $30,241.97. During 1931 to 1933 inclusive drilling and production were curtailed due to the general depression and controlled production by proration. There is, of course, an inherent relation between drilling operations, in connection with which a certain percentage of dry holes is inevitable, and the development of production. As a general rule, subject to the hazards of oil finding, the drilling of new wells is accompanied by additions to oil reserves available for production. The cost of dry holes drilled (including dry hole contributions to other companies) since the date of receivership and which have been or will be absorbed in the Trustee's expenses are as follows: 1933, $3,236.19 (this is in addition to the amount of $30,241.97 shown above as charged to reserves during 1933): 1934, $14,337.62: 1935, $38,877.44: and the nine months ended September 30, 1936, $24,634.49.

(e) *Property Abandonments:*

The charges for abandonments (including losses on sales of developed and producing leases and abandonments of non-

productive leaseholds and previously producing gas and oil properties and other property abandonments), as reflected on the books of the Corporation and subsidiaries and on the records of the Receivers and the Trustee totaled $8,479,047.21 for the years 1930 to 1935 inclusive and for the nine months ending September 30, 1936 and of this amount $625,817.57 is applicable to properties leased from Deep Rock Oil and Refining Company. It should be borne in mind in considering this figure, that it represents the gross book value of the properties abandoned or sold, exclusive of any accrued depreciation, depletion or amortization applicable thereto.

Under the Amended Plan, for the purpose of determining "available net income," abandonment charges will be computed upon the "depreciation base" after deducting all accrued depreciation, depletion and amortization theretofore taken with respect to the abandoned property.

The abandonment of property reflected by the charges referred to above represents a sound weeding out of properties no longer desirable, which should be favorable to future operations.

(f) *Oil and Gas Lease Rentals:*

Based upon oil and gas leases in force September 30, 1936 after the abandonments above referred to, the oil and gas lease rentals as reported from the books of the Receivers and Trustee appointed by the Court amounted to approximately $76,000 for the twelve months ended September 30, 1936. Additional oil and gas leases which may be acquired by the new company in the future will, of course, vary this figure. The amount of such rents for the periods in question in the past have been reported to the Committee approximately as follows: 1930, $168,431; 1931, $142,007; 1932, $110,303; 1933, $81,464; year ended February 28, 1934, $77,280; year ended February 28, 1935, $77,838; year ended February 29, 1936, $76,399; seven months ended September 30, 1936, $42,026.

SUBSIDIARY COMPANIES.

The Corporation at February 28, 1933, had the following active subsidiaries which are wholly owned, except in the case noted:

Deep Rock Petroleum Company
Deep Rock Oil Company (of Delaware)
Deep Rock Oil Company of Wisconsin
Southern Illinois Service Stations Company
Ozark Car Corporation
Deep Rock Oil Corporation of Nebraska (Preferred stock owned 69-2/3%; Common stock owned 63%)

Since February 28, 1933, and prior to September 30, 1936, the assets of the subsidiaries, Deep Rock Oil Company (of Delaware) and Deep Rock Petroleum Company, have been transferred to the Trustee and their indebtedness to the Trustee (Deep Rock Oil Corporation) cancelled. The total cost of the stock investment in subsidiaries on September 30, 1936, as reflected by the books of the Corporation, was $644,509.13, while the investment in other securities of certain of these subsidiaries was shown by the books to be $109,608.28. In addition to these amounts, the books showed balances of $509,338.66, as of September 30, 1936, due by the subsidiaries to the Corporation and Trustee, which amount includes a $89,618.00 obligation of Deep Rock Oil Corporation of Nebraska, a substantial portion of which has been paid subsequent to September 30, 1936. Although the records of the Corporation show that the total investment and balances due amount to $1,263,456.07, the books of the subsidiary companies, after eliminating intangibles, reflect an aggregate net worth applicable to such investments and balances of only $843,710.11. It would appear from the foregoing that the total of the above investments and advances should be considered in the light of the net worth as set forth above which should be discounted because such net worth is predicated on book values accumulated during periods of high costs and because such book values of certain of these sub-

57

sidiaries include physical property values which in recent years have not been reduced through annual provisions for depreciation.

The current indebtedness of subsidiary companies as of September 30, 1936, excluding obligations of the Trustee, amounted to $55,467.81. The Deep Rock Oil Company of Wisconsin and the Southern Illinois Service Stations Company have outstanding certain profit participating certificates and certificates of indebtedness calling for payments from time to time of which a major portion as of February 28, 1933 had been acquired by the Corporation. The total liability on such participating certificates and certificates of indebtedness held by others than the Corporation, did not exceed $140,000 on February 28, 1933, or $50,000 on September 30, 1936 Unpaid cumulative dividends on the 7% Cumulative Preferred Stock of the Deep Rock Oil Corporation of Nebraska amounted to $231,165.00 at September 30, 1936; there is a minority interest of 30-1/3% in this sum owned by others, the remaining interest being owned by the Corporation.

APPENDIX III.

October 30, 1936.

Mr. John J. Shinners,
Chairman, Reorganization Committee
for Deep Rock Oil Corporation,
Room 1100, 231 South La Salle Street,
Chicago, Illinois.

Dear Mr. Shinners:

I am in receipt of a letter from Mr. Benjamin Robin in which was enclosed a letter from you to Mr. Robin dated January 13, 1936. In your letter to Mr. Robin you requested a letter from us setting forth our opinion of the income tax status of Deep Rock Oil Corporation for the years which have been handled by us.

The following is our understanding of the situation at the present time:

With respect to the corporation's tax liability for the years 1919, 1921, and 1922—these matters have been definitely settled. The net result of the settlement will mean a net refund of taxes and interest to Deep Rock Oil Corporation for the years 1919, 1920, and 1921, after payment of attorneys' fees, of approximately $48,000. These refunds, however, are being held up by the Government pending final determination of Deep Rock's tax liability for the later years, which we understand is being handled by Messrs. Haskins & Sells. If the proposed tax liability for the later years is completely eliminated the refunds for 1919, 1920, and 1921 will be released. On the other hand, if deficiencies should be determined for the later years these refunds will be applied on such deficiency, or deficiencies, as the case may be.

The liabilities of Shaffer and Smathers for 1919, 1921 and 1922 referred to in paragraph 4(b) of the Plan of Reorganization have also been definitely settled with the Government. The liability of Smathers for 1921 and 1922 has been completely satisfied by a credit from the 1919 refunds be-

747

longing to Deep Rock, so that the contingent liability of Byllesby, and, in turn, Deep Rock, with respect to 1921 and 1922 has been completely satisfied. In addition, the Trustee has received out of the Shaffer and Smathers 1919 refunds, after deduction of attorneys' fees, an aggregate of $823,778.59. However, when these funds were received by the Trustee it was recognized that Shaffer and Smathers might be subjected to additional taxes for 1934 and 1935 as a result of receiving the interest on the 1919 refunds, and that if such taxes were asserted and established by the Government they should be paid out of the refunds themselves. Such a tax has been asserted against Mr. Shaffer by the Revenue Agent's office in Chicago. His recommendations are now pending before the Bureau in Washington. As a result of this situation, therefore, the Trustee may become obligated to return to Shaffer and Smathers a portion of the $823,778.59 already received. The Trustee has set aside $257,500 for this purpose.

In addition to the amounts already received, the Trustee should in due course also receive an additional amount of approximately $145,000 net (after deduction of attorneys' fees, etc.) out of the 1919 refunds. The reason this amount has not already been received is due to the fact that the Government has held up part of the 1919 refunds pending the outcome of litigation concerning Smathers' tax liability for the year 1918.

In view of the foregoing, it is our opinion that Deep Rock should receive additional refunds; that neither Deep Rock nor Byllesby can have any further liability either to the Federal Government or to the Smathers and Shaffer interests for the years 1919 to 1921, both inclusive; but that there may be a further liability for 1934 and 1935, provision for which, however, has already been made by the reserve referred to above.

Very truly yours,

HAMEL, PARK & SAUNDERS,

By LEE I. PARK.

LIP-B

November 7, 1936.

Mr. J. J. Shinners,
Chairman, Deep Rock Oil Corporation,
Reorganization Committee,
231 South La Salle Street,
Chicago, Illinois.

Dear Sir:

In accordance with your request we are pleased to submit below a brief description of the present status of the Federal income tax cases of Deep Rock Oil Corporation and affiliated corporations for taxable periods subsequent to April 11, 1921, indicating the taxes paid, and the estimated deficiencies and over-assessments as computed by us and as determined by the Commissioner of Internal Revenue, Washington, D. C.:

TAXABLE PERIOD APRIL 12 TO DECEMBER 31, 1921.

During this period the Deep Rock Oil Corporation and its subsidiary, Elmerdale Oil Company, were affiliated with Standard Gas and Electric Company and their taxable net incomes were included in the consolidated return filed by the latter company. There was charged Deep Rock Oil Corporation $6,291.41 as its allocated share of $90,400.45 tax paid by Standard Gas and Electric Company on the consolidated taxable net income.

In 1923, on a redetermination of the taxable net income of the consolidated group for the above taxable period, the Treasury Department refunded $28,921.24 of the tax originally paid. The adjusted taxable net income of Deep Rock Oil Corporation (including its subsidiary, Elmerdale Oil Company) was $420,409.44. On the basis of a reallocation of the net tax paid, Deep Rock Oil Corporation was charged an additional amount of $34,552.42 by Standard Gas and Electric Company as its proper share thereof. The total charge amounted, therefore, to $40,843.83.

In recomputing the taxable net incomes of Deep Rock Oil Corporation and Elmerdale Oil Company the Treasury Department did not make proper adjustments for depletion, depreciation, losses on dry holes drilled, losses on undeveloped leases surrendered, etc., for the reason that the correct amounts allowable therefor had not been determined. During October, 1935, Deep Rock Oil Corporation filed with the Commissioner of Internal Revenue a report setting forth the revised computations of allowances claimed for depletion of oil and gas reserves, depreciation of production equipment and profits or losses on producing properties sold or abandoned for the periods from May 31, 1919, to March 31, 1928.

For this taxable period, on the basis of these revised computations, Deep Rock Oil Corporation and Elmerdale Oil Company would have a combined net loss instead of a taxable income of $420,409.44.

When the above-mentioned report has been accepted as correct by the Treasury Department, the possibility of reopening the 1921 case of Standard Gas and Electric Company and affiliated corporations will be investigated with a view towards obtaining an additional refund.

CALENDAR YEARS 1922 AND 1923.

For these years Standard Gas and Electric Company filed consolidated returns including therein the taxable net income of Deep Rock Oil Corporation and its subsidiary, Elmerdale Oil Company. No tax was paid, and as both years have been closed, no deficiencies can be asserted by the Treasury Department.

CALENDAR YEARS 1924, 1925, 1926, AND 1927, AND TAXABLE PERIOD JANUARY 1 TO MARCH 31, 1928.

For the above taxable periods Deep Rock Oil Corporation and affiliated corporations filed consolidated returns, no tax being paid as a result thereof except the amount of $157,946.27 for the year 1926.

After examining the returns filed, the Treasury Department issued a letter dated May 13, 1933, setting forth the following deficiencies in tax and, due to the existing receivership, assessed against Deep Rock Oil Corporation the total amount thereof:

Taxable Period	*Additional Assessments*
1924	$ 79,210.15
1925	397,808.06
1926	505,981.97
1927	197,005.16
January 1 to March 31, 1928	38,172.79
Total	$1,218,178.13

The reduction in the 1919 Federal income taxes of C. B. Shaffer and E. E. Smathers necessitated a change in the cost base of the properties acquired by Deep Rock Oil Corporation as of May 31, 1919. As mentioned hereinbefore, revised computations for depletion and depreciation of producing properties, etc., were made and submitted to the Commissioner during October, 1935. Giving effect to these revised computations and certain other adjustments, the revenue agent at Tulsa, Oklahoma prepared a report for the Bureau of Internal Revenue wherein he redetermined the consolidated net income and losses of Deep Rock Oil Corporation and affiliated corporations, as follows:

Taxable Period	*Taxable Net Income (Loss)*
1924	*$1,876,011.97*
1925	328,943.14
1926	340,687.69

By carrying forward the 1924 net loss to the years 1925 and 1926, the income of these years is entirely offset.

Under date of May 22, 1936, the Internal Revenue Agent in Charge, Oklahoma City, Oklahoma, issued a letter accompanied by the examiner's report showing overassessments

for the year 1927 and the three months ended March 31, 1928 in the amounts of $197,005.16 and $38,172.79 respectively.

On the basis of the above information no additional tax would have to be paid for any of these taxable periods and a refund should be received by Deep Rock Oil Corporation. However, in a letter dated September 22, 1936, the Treasury Department requested the Deep Rock Oil Corporation to prepare and submit additional information concerning the cost of its depreciable property other than producing department and to reestimate the useful life thereof as accurately as possible. This information is now being prepared and, even though preliminary computations indicate that the deductions for depreciation will be materially reduced, it still appears that Deep Rock Oil Corporation will have no additional tax liability for these periods.

TAXABLE PERIOD APRIL 1 TO DECEMBER 31, 1928, AND CALENDAR YEARS 1929 AND 1930, AND TAXABLE PERIOD JANUARY 1 TO SEPTEMBER 30, 1931.

For the above taxable periods Standard Gas and Electric Company filed consolidated returns to include the taxable net incomes of Deep Rock Oil Corporation and subsidiaries. No portions of the tax liabilities, if any, were charged to Deep Rock Oil Corporation.

The Treasury Department on May 23, 1934, issued a deficiency letter proposing additional taxes against Standard Gas and Electric Company for the taxable years 1927 to 1930, inclusive. Because of the receivership under which Deep Rock Oil Corporation was operating, assessments of the following taxes were made immediately against it:

Period	*Assessments*
April 1 to December 31, 1928	$ 49,882.03
Calendar Year 1929	332,358.42
Calendar year 1930	520,711.23
Total	$902,951.68

The amount of $49,882.03 represents the Treasury Depart-partment's allocation of the consolidated deficiency to Deep Rock Oil Corporation and its subsidiaries. The assessments for 1929 and 1930 represent the total deficiencies asserted against Standard Gas and Electric Company. Assessment of said totals against the one affiliated company in receivership was made under the provisions of Article 15(a) of Regulations 75, effective January 1, 1929, to the effect that

> "• • • The parent corporation and each subsidiary, a member of the affiliated group during any part of a consolidated return period, shall be severally liable for the tax (including any deficiency in respect thereof) computed upon the consolidated net income of the group."

Under the above-quoted article, Deep Rock Oil Corporation and its subsidiaries would also be liable for any deficiency assessed against Standard Gas and Electric Company for the calendar year 1931. According to our records no assessments have been made against Deep Rock Oil Corporation and its subsidiaries for that year.

In addition to the above assessments made against Deep Rock Oil Corporation, the Treasury Department, on November 22, 1935, issued an assessment letter to Standard Gas and Electric Company setting forth the consolidated income tax deficiencies for the calendar years from 1925 to 1932, inclusive, the following amounts being included therein:

Period	*Additional Assessments*
Calendar year 1928	$ 352,097.50
Calendar year 1929	332,358.42
Calendar year 1930	520,711.30
Calendar year 1931	2,220,273.99

The amount of $352,097.50 assessed for the year 1928 includes the amount of $49,882.03 previously assessed against Deep Rock Oil Corporation and the amounts for the years 1929 and 1930 correspond with similar assessments made against the latter company as explained hereinbefore.

The records of Deep Rock Oil Corporation and subsidiaries are now being examined by the revenue agent for the purpose of determining the taxable net income for the periods from April 1, 1928 to September 30, 1931. On the basis of available information Deep Rock Oil Corporation and subsidiaries had net losses for each of the above-stated taxable periods and incurred no tax liability.

TAXABLE PERIOD OCTOBER 1 TO DECEMBER 31, 1931, AND THE CALENDAR YEARS 1932 AND 1933.

For these taxable periods Deep Rock Oil Corporation and affiliated companies filed separate consolidated returns and paid no taxes.

The Treasury Department has not yet issued letters of redetermination of tax liability. On the basis of available information losses were sustained and no tax will have to be paid.

CALENDAR YEARS 1934 AND 1935.

Deep Rock Oil Corporation filed separate returns for these periods and reported losses therein.

The Treasury Department has not as yet issued letters of redetermination of the tax liability. On the basis of available information no tax will have to be paid for either period.

DEEP ROCK OIL AND REFINING COMPANY.

Based on available information, additional Federal income tax will be allocated to Deep Rock Oil and Refining Company by Standard Gas and Electric Company under one of the following two methods of computation:

(1) Additional tax computed by allocating losses of companies in the consolidated group to those companies having taxable net income pro rata on the basis of total taxable net income:

Calendar year 1928	$ 9,174.58
Calendar year 1929	32,411.45
Calendar year 1930	21,875.83
Calendar year 1931	32,504.45
Calendar year 1932	33,890.08

(2) Additional tax computed by first applying the losses of Deep Rock Oil Corporation and subsidiaries (during the taxable periods when those companies were included in the consolidated returns filed by Standard Gas and Electric Company) to the taxable net income of Deep Rock Oil and Refining Company and then allocating the remaining losses of the companies in the consolidated group to those companies having taxable net income pro rata on the basis of the total of the remaining taxable net incomes:

Calendar year 1928	$ 3,720.30
Calendar year 1932	33,890.08

The additional tax liabilities as computed under the two methods mentioned above are subject to change due to adjustments resulting from recomputation of depreciation allowances now in progress.

Also, Deep Rock Oil and Refining Company is contingently liable, under the Revenue Acts of 1928 and 1932, for Federal income taxes assessed against Standard Gas and Electric Company and affiliated corporations for the years 1929 to 1933, inclusive. Under the terms of the lease agreement all operating expenses of Deep Rock Oil and Refining Company are chargeable to Deep Rock Oil Corporation. Presumably this would also cover the above contingent liability.

Yours very truly,

(Signed) HASKINS & SELLS.

COMMITTEE NOTE:

It should be noted that the Amended Plan provides that Standard Gas and Electric Company agrees as part of the Plan not to allocate additional taxes against Deep Rock Oil and Refining Company and agrees to indemnify and save harmless Deep Rock Oil Corporation and the New Company from all tax deficiencies asserted against Deep Rock Oil Corporation by the Federal Government with respect to the years for which Standard Gas and Electric Company reported for Deep Rock Oil Corporation and its other subsidiaries by a consolidated return, and where Deep Rock Oil Corporation would not be liable for such deficiencies based upon its own income.

APPENDIX IV.

PRELIMINARY ESTIMATE OF VALUES OF

PLANTS AND PROPERTIES OF
DEEP ROCK OIL CORPORATION AND SUBSIDIARIES

As of August 31, 1936

Producing Department	$4,761,825.19
Pipe Line Department	699,072.18
Casinghead Gasoline Department	117,756.29
Refinery	1,468,864.80
Cracking Plant	241,479.95
Tank Cars	291,447.75
Distributing Department	1,505,553.70
Tulsa Office	15,613.91
Total	$9,101,613.77

The above values were determined by representatives of the Trustee, based on an actual inventory heretofore taken and adjusted to August 31, 1936, and are predicated on each unit being an integral part of a complete and going concern. They are to be considered tentative until a later physical inventory, which is in process of being taken, is approved by the Trustee and filed with the Court. It is thought, however, that the values as herein fixed will be approximately those as finally determined as of that date. The above values include the properties of Deep Rock Oil and Refining Company.

Compiled September 24, 1936

Tentative Consolidated Balance Sheet

DEEP ROCK OIL CORPORATION, IN BANKRUPTCY,
AND SUBSIDIARY COMPANIES

As of August 31, 1936

INCLUDING ASSETS OF DEEP ROCK OIL AND REFINING COMPANY

ASSETS

Real Estate, Oil and Gas Leases, Oil Wells and Equipment, Pipe Lines, Tank Cars, Refineries, Distributing Stations, and Facilities, Etc. (As Tentatively Appraised)			$ 9,101,613.77
Securities Owned			44,247.15
Deep Rock Oil Corporation—Convertible 6% Gold Notes Acquired			23,500.00
Cash in Banks and in Transit		$4,262,983.21	
Notes Receivable	$ 69,925.25		
Accounts Receivable	1,732,541.76		
Reserve for Bad Debts	*865,074.80*	1,237,392.51	
Inventories		2,613,115.34	8,113,491.06
Escrow Deposits		$ 257,500.00	
Other Special Funds		8,171.32	265,671.32
Federal Income Tax Refunds Receivable			76,484.26
Advances to Agents		$ 22,824.26	
Prepaid Accounts and Deferred Charges		94,804.44	
Miscellaneous Deposits		2,683.10	120,311.80
Total			$17,743,319.37

Italics denote red figures.

The above balance sheet was prepared by representatives of the Trustee.

The Property Account is stated at the value set out in "Preliminary Estimate of Values Compiled September 24, 1936," attached.

The securities included in the Securities Owned Account were valued by representatives of the Trustee at values considered representative of their worth.

All other assets and liabilities are stated at amounts as reflected by the books of the Trustee and the books of the subsidiary companies after giving effect to certain consolidations and minor adjustments, which amounts are thought to be approximately correct.

Crude oil inventory priced at posted market prices at August 31, 1936, plus transportation costs. Refined products at refinery priced at cost based on posted market prices of crude oil at August 31, 1936, or at market prices for such refined products, whichever is lower. Refined products at distributing stations, if purchased from others, have been priced at cost; if shipped from our refinery, at wholesale market prices at date of shipment, plus transportation and other costs. Supplies at the lower of cost or determined values.

Tentative Consolidated Balance Sheet

DEEP ROCK OIL CORPORATION, IN BANKRUPTCY,
AND SUBSIDIARY COMPANIES
As of August 31, 1936

INCLUDING ASSETS OF DEEP ROCK OIL AND REFINING COMPANY

LIABILITIES

Funded Debt of Subsidiary Companies Outstanding in Hands of the Public:			
Home Oil Company Debenture Bonds Assumed		$ 3,210.36	
Deep Rock Oil Company of Wisconsin:			
Profit Participating Certificates	$12,649.18		
Less Excess of Certificate Liability over Assets Available	9,524.65	3,124.53	
Southern Illinois Service Stations Company:			
Certificates of Indebtedness	$35,446.42		
Less Excess of Certificate Liability over Assets Available	27,244.33	8,202.09	$ 14,536.98
Minority Interest—Deep Rock Oil Corporation of Nebraska:			
Preferred and Common Stock		$ 206,900.00	
Less Carried Value of Stocks over Assets Available		173,507.78	33,392.22
Accounts Payable and Property and Miscellaneous Taxes Accrued:			
Prior to Receivership		$ 70,613.53	
Subsequent to Receivership		1,234,101.60	1,304,715.13
Other Reserves:			
Compensation Insurance		$ 51,312.11	
Wisconsin Unemployment Benefit		6,578.14	57,890.25
Balance Available for (A) Convertible Gold Notes and Account of Standard Gas and Electric Company, Including Interest on Both; (B) Undisclosed Liabilities, if any; (C) Acquisition of the Deep Rock Oil and Refining Company; (D) Preferred and Common Stocks; (E) Legal and Other Expenses that may be Approved by the Court; (F) Rental which may be Allowed by the Court to Deep Rock Oil and Refining Company for the Period of Operation by the Receivers and Trustee; (G) Contingent Liabilities, the More Important of which are Hereinafter Set Forth			16,334,784.79
Total			$17,745,319.37

CONTINGENT LIABILITIES

Collector of Internal Revenue:		
Income taxes—1924-1928	Claim as filed July 18, 1933	$1,686,877.92
Income taxes—1928-1930	Claim as filed June 15, 1934	1,102,963.15
Manufacturer's excise tax—June 21, 1932, to July 31, 1934	Claim as filed December 18, 1934	12,880.25
Manufacturer's excise tax—December 1, 1932, to February 29, 1936	Set up by examiners. Assessment not received as yet	35,517.26
Manufacturer's excise tax—December 1, 1932, to February 29, 1936	Revenue agents have made examination. We do not as yet have copy of their report, and assessment has not been made. Estimated amount of assessment	45,000.00
Oklahoma Tax Commission:		
Income tax—Deep Rock Oil and Refining Company—1931	Claim as filed December 18, 1934	24,365.47
Income tax—Deep Rock Oil and Refining Company—1932	Claim as filed December 18, 1934	22,347.78
Income tax—Trustee—1934	As assessed May 15, 1936	25,204.15
To persons other than the Federal Government	For income taxes which may become payable as result of interest received in connection with refund of Federal income taxes paid in 1920. Funds to provide for such contingent liability have been deposited in escrow in the sum of	257,500.00

AMENDED PLAN OF REORGANIZATION FOR DEEP ROCK OIL CORPORATION

Present Company

1. *Outstanding Securities.* The outstanding securities of Deep Rock Oil Corporation (formerly Shaffer Oil and Refining Company and hereinafter referred to as the "Present Company"), as of March 2, 1933, the date upon which receivers were appointed by the United States District Court for the Northern District of Oklahoma (hereinafter referred to as the "Court") were shown by the books of the Present Company as follows:

Description		*Outstanding*
Six Per Cent Convertible Gold Notes, dated March 1, 1928, originally due March 1, 1933:		
(a) Extended to March 1, 1937 at 7%	$7,819,500	
(b) Not extended	2,180,500	
		$10,000,000
Interest on all the above notes has been paid to March 1, 1933.		
Secured Notes, payable serially and	$34,388.80	
Assumed indebtedness of former subsidiary	3,365.35	
		37,754.15
$7 Cumulative Convertible Preferred Stock without par value		50,000 shares
Common stock without par value		599,475 shares

The above excludes securities of subsidiary companies.

2. *Indebtedness due Standard Gas and Electric Company.* The Present Company is indebted on open account to Standard Gas and Electric Company (hereinafter referred to as "Standard"), which owns 579,132 shares of

the Common Stock and 969 shares of the $7 Cumulative Convertible Preferred Stock of the Present Company. The amount of this indebtedness was shown on the books of the Present Company, as of February 28, 1933, as $9,342,642.37. The amount of this indebtedness has been contested in the Court.

The present claim of Standard, which stands on the books at $9,342,642.37, has (with the exception of approximately $500,000) accrued since April 12, 1928. The claim consists principally of cash advanced by Standard, dividends declared and credited to Standard as a holder of Preferred and Common Stock of the Present Company, management fees paid by Standard to Byllesby Engineering and Management Corporation and charged to the Present Company, charges to the Present Company for rental of properties owned by Deep Rock Oil and Refining Company (hereinafter called the "Refining Company"), a subsidiary of Standard, and interest charged on the open account with Standard. The objections to the claim relate to practically all of the items enumerated.

Standard has offered a compromise of its claim which provides for its allowance for approximately $5,000,000, of which $1,500,000 shall be held to rank on a parity with the Convertible Gold Notes. The compromise also provides for the transfer by Standard to the Trustee for the Present Company or to the New Company hereinafter provided for, of all of the capital stock of Deep Rock Oil and Refining Company held by Standard together with the land upon which the cracking plant is situated, and the improvements thereon, and together with all claims of Standard against said Refining Company. The said offer of compromise is made upon the condition that the Court on or before February 8, 1937 shall confirm a Plan of Reorganization acceptable to Standard and that such order of confirmation shall be affirmed on appeal if an appeal

therefrom is taken. Standard has accepted this plan and its action in making the new compromise offer and in accepting this plan has been approved by the Federal Court in Delaware.

This Amended Plan (hereinafter referred to as the plan) has been prepared upon the theory that the proposed compromise of the Standard claim will be approved. If it is not approved on substantially the terms above set forth, the holders of Convertible Gold Notes and the holders of the $7 Cumulative Convertible Preferred Stock of the Present Company, who accept the Plan, will be given an opportunity to withdraw their acceptances without expense. Acceptance of the Plan includes an approval of the proposed compromise of the Standard claim.

3. *Miscellaneous Indebtedness.* In addition to the foregoing, the accrued liabilities and general accounts payable of the Present Company on February 28, 1933, aggregated approximately $964,100 (exclusive of reserves of $219,681 for liabilities) which included the amount then owed for taxes other than Federal income taxes and which, on September 30, 1936 had been adjusted or satisfied by payment pursuant to court orders to approximately $71,000. The Present Company at the time of receivership had outstanding approximately $34,388 of secured notes which have since been paid off and there were outstanding $3,365.35 of debenture bonds of a former subsidiary company which the Present Company assumed, the liability with respect to which was $3,210.36 at September 30, 1936. Subsidiary indebtedness other than current obligations and indebtedness due to the Present Company (or its Trustee) consisted of profit participating certificates and certificates of indebtedness of certain subsidiaries payable over periods of which at September 30, 1936, not more than $50,000 was held by others than the Present Company or its Trustee.

4. *Contingent Liabilities.*

(a) *Income Taxes to Federal Government.* The Federal income tax authorities have been asserting large tax deficiencies against the Present Company covering a period of many years. The question of the Present Company's liability for the earlier years (previous to 1923) has been settled but the liability with respect to the remaining years has not yet been determined.

If any deficiencies are finally determined to exist, the additional taxes will constitute a first lien upon the properties of the Present Company or a preferred claim and such additional taxes, if any, must of necessity be assumed by the New Company. As part of the Amended Plan, Standard agrees not to allocate additional taxes against Deep Rock Oil and Refining Company and agrees to indemnify and save harmless the Present Company and the New Company from all tax deficiencies asserted or to be asserted against the Present Company by the Federal Government with respect to the years for which Standard reported for the Present Company and its other subsidiaries by a consolidated return and where the Present Company would not be liable for such deficiencies based upon its own income.

(b) *Liability to others than Federal Government with respect to income taxes.* As pointed out in the original plan, the Present Company was also involved in other income tax matters, concerning possible liability not to the Federal Government but to other parties whose income taxes the Present Company agreed to pay.

These tax matters have been concluded and resulted in refunds being made to the Trustee of the Present Company rather than in further liabilities being established. Therefore, the Amended Plan need not make any provision to cover possible liability to the Estate of E. E. Smathers, C. B. Shaf-

fer and H. M. Byllesby & Co. with respect to income tax matters.

(c) *Other Contingent Liabilities.* The Present Company is contingently liable in respect of a guarantee on profit participating certificates of Deep Rock Oil Company of Wisconsin, a subsidiary, outstanding in the hands of the public in an amount aggregating, as of September 30, 1936, $12,649.18 and is also contingently liable in connection with pending litigation and claims involving liabilities of approximately $250,000.00. These contingent liabilities will be assumed by the New Company.

THE NEW COMPANY.

5. *Acquisition of Assets.* A new corporation (herein referred to as the "New Company") will be organized with such corporate name (which may be the same as or similar to the corporate name of the Present Company) and under the laws of such State as may be determined by the Present Company and approved by the Court. The business and assets of the Present Company will be transferred and conveyed to the New Company subject only to such changes as may result from the ordinary course of business and subject also to any existing liens, or encumbrances which might exist with respect to such assets. In so far as practicable, title to the assets and business so acquired will be vested in the New Company, but certain assets may be transferred to one or more subsidiary companies, whose entire capital stock (except directors' qualifying shares) will be owned by the New Company. The New Company will also acquire all the outstanding capital stock of the Refining Company, now owned by Standard. The transfer of the business and assets of the Present Company to the New Company, will be made pursuant to the provisions of Sections 77B of the Federal Bankruptcy Act, as Amended, and will be accomplished without any public, judicial or any other sale upon the direction and order of the Court.

The New Company will assume and agree to pay in full all costs and expenses incident to the reorganization and all valid, legal and enforceable liabilities of the Present Company which have not been paid at the time of such acquisition, except such indebtedness as shall be satisfied under the Plan by the issuance of securities of the New Company. All indebtedness, liabilities and contracts incurred by the Receivers and the Trustee not otherwise satisfied in accordance with appropriate court orders, as well as any liability which might exist to the Federal Government directly for income taxes for prior years will be included in the liabilities to be assumed by the New Company.

6. *Securities of New Company.* The securities of the New Company (hereinafter collectively called "New Securities"), after giving effect to complete consummation of the plan herein outlined and subject to paragraph 8 (d) hereof and exclusive of indebtedness to be assumed, will be approximately as follows:

Description of New Securities	*Authorized*	*Issued*
6% Cumulative Income Sinking Fund debentures	$10,000,000*	$10,000,000*
Common Stock (without par value)	520,000* shares	520,000* shares

*Subject to be increased to provide for obligations described in paragraph 8 (d).

7. *Description of New Securities.*

(a) *6% Cumulative Income Sinking Fund Debentures* (herein referred to as the "Income Debentures") will be authorized for the aggregate principal amount of $10,000,000 (subject to be increased to meet the requirements of paragraph 8 (d) hereof) and will be issued to the extent and upon the terms provided in the Plan. The Income Debentures will be dated not later than the date of issuance, will be due fifteen years after their date and will be issued

under an Indenture to be made to The First National Bank of Chicago as Trustee unless said bank shall be unwilling or unable to act in which event the trustee shall be a bank or trust company having a capital and surplus of at least $10,000,000 designated by the Present Company and approved by the Court. The Income Debentures will bear interest from their date at the rate of 6% per annum, payable semi-annually on March 15th and September 15th in each year, but, until maturity of the principal thereof, actual payment of such interest will be contingent on earnings and will be required to be paid only when, and to the extent that, "Available Net Income" of the New Company for each income period, determined as hereinafter provided, is sufficient for such payment. Interest on the Income Debentures shall, however, be absolutely due and payable on the respective interest payment dates to the extent that Available Net Income, as hereinafter defined, is sufficient for such payment. However, no interest need be paid if the amounts so paid would be less than one-half of 1% and all payments shall be in multiples of one-quarter of 1%;—any excess not applied to interest because of this requirement shall be set aside for future interest and added to the Available Net Income of the New Company as determined for the next succeeding Income Period.

Said interest shall be cumulative so that to the extent the interest payments on March 15th and September 15th of each year are not made or are made at a rate less than 6% per annum, the deficiency, subject to the conditions hereinafter set forth, shall be cumulative and accrue and be thereafter payable out of future Available Net Income of the New Company, and any such deficiency shall be paid in full prior to the declaration and payment of any dividends on any class of stock of the New Company. Accumulations of interest shall not bear interest. At the maturity of the principal of the Income Debentures (whether by their terms or otherwise),

all arrears of cumulative interest shall be payable, whether earned or not.

In case the Available Net Income of the New Company as determined for any Income Period shall not be sufficient to provide for the payment of interest at the rate of 6% per annum on the next interest payment date, the Board of Directors may in its discretion, but need not, declare to be payable as interest an amount larger than the amount of net income available and therefore required to be paid, and, to the extent that a larger amount shall have been so declared to be payable, such larger amount shall be absolutely due and payable.

Available Net Income shall be determined in the manner set forth in the following seven paragraphs:

First: Net income of the New Company shall be determined in accordance with accounting practice in the oil industry in so far as such practice is not inconsistent with the methods prescribed herein (on a consolidated basis after eliminating inter-departmental and inter-company transactions, except such profits as might remain in inventory and which are not eliminated in accordance with the provisions set forth in the annexed Schedule B with respect to valuation of inventory) for each period of six months ending June 30th (herein referred to as the "June Income Period") and for each period of twelve months ending December 31st (herein referred to as the "December Income Period"), after providing for all operating, selling, administrative and other expenses incurred or accrued during such Income Period, including (i) depreciation of plants and equipment, exclusive of production equipment; (ii) depletion of productive leaseholds and intangible costs and depreciation of physical equipment on productive leases; (iii) amortization of non-productive leaseholds; (iv) amortization of service stations leasehold improvements; (v) the entire cost of "dry holes" drilled, when determined

dry; (vi) all oil and gas lease rentals; (vii) the expense of maintaining wells, equipment and all other physical property; (viii) accrual for bad debts losses; (ix) all local, state and Federal taxes, excluding Federal income taxes; (x) abandonments and (xi) interest on all interest bearing indebtedness except the Income Debentures and indebtedness, if any, subordinated thereto. There shall be added to or deducted from net income so determined all Prior Period Adjustments of Net Income (hereinafter defined) made during said Income Period and the balance remaining shall constitute the "Net Income for the Current Income Period."

Second: At the end of each Income Period (herein referred to as the "Current Income Period"), the Net Income of the New Company shall also be determined for the entire period (taken as a whole) beginning with the date of the Income Debentures and ending with the beginning of the Current Income Period. Such determination shall be made in the manner set forth in the preceding paragraph, but also after deducting (i) all interest paid on the Income Debentures prior to the beginning of the Current Income Period and on the interest payment date immediately following the beginning of the Current Income Period, (ii) all interest paid prior to the Current Income Period upon indebtedness, if any, subordinated to the Income Debentures, and (iii) all amounts paid prior to the Current Income Period into the Sinking Fund (except such amounts as may have been paid or then be payable to the sinking fund as a result of the sale of fixed assets or the sale of advances to and investments in subsidiaries). If such computation results in a "loss," the amount of such loss shall be deducted from the Net Income for the Current Income Period. The term "loss" shall mean the amount by which the deductions from income (including as a deduction the interest paid on the Income Debentures, the interest paid on subordinated indebtedness, and the Sink-

ing Fund payments made, as aforesaid) exceed the income for the entire period in question and said loss is hereinafter referred to as the "Prior Period Net Loss." If in the computation required by this paragraph second the income for the entire period in question exceeds such deductions from income, such excess shall not be added to the Net Income for the Current Income Period.

Third: The foregoing determination of Net Income for each June Income Period shall be made by the New Company itself and the balance, if any, remaining after deducting the Prior Period Net Loss from the Net Income for the Current Income Period shall constitute the "Available Net Income" for such June Income Period and shall be applied to the payment of current interest due on the succeeding September 15th.

Fourth: At the expiration of each December Income Period, the Board of Directors shall employ a firm of independent certified public accountants to determine, in the manner above set forth, the Net Income for the Current Income Period, being the twelve months' period ending on December 31st. From the Net Income for the Current Income Period so determined, there shall be deducted (i) that portion of the interest, if any, paid upon the Income Debentures on the preceding September 15th out of Available Net Income as determined by the New Company for the preceding June Income Period and (ii) the Prior Period Net Loss (as determined by said independent accountants in the manner set forth in the second preceding paragraph) for the entire period (taken as a whole) beginning with the date of the Income Debentures and ending with the beginning of the Current Income Period. The balance, if any, remaining after making said deductions, if any, shall conclusively constitute the Amount of Available Net Income for such December Income Period, and such amount shall be applied on the suc-

ceeding March 15th to the payment of any unpaid interest including the interest due on that date.

Fifth: In determining Net Income for any period, depletion, depreciation, amortization and abandonments will be computed substantially as set forth in Schedule A annexed hereto upon the "depreciation base" therein specified and inventories will be valued in substantially the manner set forth in Schedule B annexed hereto; provided, however, that any question which may arise in the determination of Net Income for any period which is not covered by said Schedules A and B shall be determined in accordance with accounting practice in the Oil Industry by the officers of the New Company, with the approval of independent certified public accountants, and such accounting practice shall be consistent with the spirit of these provisions and the requirements of Schedules A and B.

Sixth: The New Company will maintain an account entitled "Prior Period Adjustments of Net Income." Said account shall contain charges or credits (of a character corresponding to those above set forth for the determination of Net Income) appearing in a period subsequent to the period to which they actually apply and made necessary in order to restate accurately the accounts for such earlier period. Such charges and credits shall appear in said account even though under customary and proper accounting practice they may or shall be charged or credited upon the Present Company's books to surplus; provided, however, that no such charges or credits shall be made to said account which are applicable to a period prior to the date upon which the New Company shall acquire the assets of the Present Company.

Seventh: In computing Net Income as above provided and in making Prior Period Adjustments of Net Income there shall not be included in the income or in such adjustments nor

deducted therefrom (i) any profits or losses resulting from the purchase, sale or other disposition by the New Company, of its Income Debentures, irrespective of whether such Debentures were acquired for the sinking fund or for other purposes or reasons or (ii) any profits or losses resulting from the sale or other disposition of fixed assets excepting, however, profits or losses (using the "depreciation base" for determination) from such transactions which normally occur in the routine operation of the business of the New Company or (iii) any profits or losses resulting from the sale or other disposition by the New Company of advances to or investments in subsidiary companies (to be defined) or (iv) any appreciation in value of fixed assets not realized by actual sale or any write-up of book value of fixed assets to equal estimated market value not realized by actual sale.

All costs and expenses incident to the reorganization not discharged by the Trustee and assumed and paid by the New Company shall be excluded in determining Net Income for any period and shall not be charged as an expense.

The Income Debentures will be redeemable at the option of the New Company, as will be more fully provided in the Indenture, in whole or in part at any time on 60 days' published notice at their principal amount plus all unpaid interest accumulated and accrued to the date of redemption.

The New Company will covenant in the Indenture that as long as any Income Debentures are outstanding it will not become indebted at any one time to affiliated companies (to be defined in the Indenture) in excess of $1,500,000 unless the payment of the principal of such indebtedness in excess of such amount shall be subordinated to the payment of the principal of the Income Debentures and the payment of interest on such indebtedness in excess of such amount shall be subordinated to the payment of interest on the Income Debentures.

The New Company will also covenant in the Indenture that as long as any of the Income Debentures are outstanding it will not mortgage or pledge any of its property to secure any indebtedness unless the Income Debentures shall be secured by a lien upon all of the property and assets which are to be subjected to such mortgage or pledge, which lien in favor of the Income Debentures shall be prior to the lien to be afforded such other indebtedness; provided, however, that this covenant will not apply (i) to purchase money liens created in connection with the acquisition of additional property or existing upon such property, where the indebtedness secured by such liens does not exceed 66⅔% of the cost or fair value (whichever is lower) of the property so acquired, or (ii) to the refunding or renewal or extension of any indebtedness so created or existing in connection with the acquisition of such additional property, or (iii) to the pledge of current assets to secure any current indebtedness incurred by the New Company to others than affiliated companies in the ordinary course of its business and which matures not later than one year from the date that the same is incurred or to one or more renewals thereof provided each such renewal is made in the ordinary course of business and for not more than one year.

The Indenture will provide that no dividends may be paid by the New Company in cash or in stock until the outstanding principal amount of Income Debentures has been reduced to $5,000,000 and that no shares of the New Company's common stock may be purchased by it as long as any Income Debentures are outstanding.

The Indenture will also provide that whenever a cash dividend is paid by the New Company an amount equal to each such dividend shall be paid into a sinking fund for the retirement of the Income Debentures remaining outstanding, which sinking fund provision shall remain in effect until all of the Income Debentures have been retired. Until the

principal amount of outstanding Income Debentures has been reduced to $5,000,000 there shall be paid into the Sinking Fund on or before March 15th of each year an amount equal to one-half of the Available Net Income for the preceding December Income Period remaining after the payment of all interest payable on March 15th upon the Income Debentures out of such Available Net Income and after deducting proper provisions for Federal income taxes during the first taxable year of the New Company and upon the expiration of said first taxable year after deducting Federal income taxes paid.

All cash held by the Trustee in the Sinking Fund shall be applied (in the manner to be provided in the Indenture) to the purchase of Income Debentures at public or private sale at not more than their redemption price, or if not so obtainable, to the redemption of Income Debentures by lot at their redemption price. Whenever the New Company is required by the Plan or the indenture to make any payment into the Sinking Fund in lieu of depositing cash with the Trustee, the New Company may surrender Income Debentures for cancellation and receive a Sinking Fund credit in an amount equal to the purchase price paid by the New Company for the acquisition of the Income Debentures so surrendered. It shall be provided, however, that Sinking Fund credits shall not be allowed in an amount greater than the redemption price of the Income Debentures so surrendered. Whenever under the Plan it shall become necessary to determine the amount of any payment made into the Sinking Fund and such payment has been made by the surrender of Income Debentures for cancellation, the amount of such payment shall be the purchase price paid by the New Company for the Income Debentures so surrendered but in no event more than the redemption price thereof.

The New Company will also covenant in the Indenture that as long as any Income Debentures are outstanding it will not declare any dividends except from earned surplus as defined in the next paragraph.

Earned surplus for the purpose of the preceding paragraph shall be considered to represent the net income for the entire period (taken as a whole) beginning with the date of the Income Debentures and ending with the end of the calendar year immediately preceding the declaration of the dividend in question, determined as hereinbefore provided but after also deducting (i) all Federal Income taxes paid and accrued, (ii) all interest paid, accumulated and unpaid, and accrued on the Income Debentures and all interest paid or accrued on indebtedness, if any, subordinated to the Income Debentures, (iii) all losses which may have resulted from the purchase or sale of Income Debentures, the sale of advances to or investments in subsidiary companies and the sale of fixed assets, (iv) all dividends paid or declared prior to the declaration of the dividend in question, (v) all amounts paid or payable to the Sinking Fund (except such amounts as may have been paid or then be payable to the Sinking Fund as a result of the sale of fixed assets or the sale of advances to and investments in subsidiaries), and (vi) the amount to be appropriated to such Sinking Fund upon payment of the dividend in question. Although the losses which may result from (a) the purchase or sale of Income Debentures, (b) the sale of advances to or investments in subsidiary companies and (c) the sale of fixed assets are, as above provided, to be deducted from net income in determining the amount of "earned surplus" it is not intended that any profits resulting from such purchases and sales shall be added to the net income in determining the amount of "earned surplus". However, it is understood that there will be included in net income of the New Company any profits resulting from the sale or other disposition of fixed assets in transactions which normally occur in the routine operation of the business of the New Company and nothing contained in this paragraph is intended to alter the definition of net income in that or any other respect.

The Indenture shall also contain further provisions and restrictions, designed to protect the Income Debentures, to be consistent with the Plan and approved by the Oklahoma District Court, including provisions as follows: (i) a provision prohibiting the payment of so-called supervision or management fees to affiliated companies; (ii) a provision requiring that an amount equal to the cash proceeds received by the New Company or any subsidiary from each sale of a fixed asset (other than fixed assets disposed of in transactions which normally occur in the routine operation of the business) and that the cash proceeds received by the New Company from the sale of advances to or investments in subsidiary companies (to be defined) be paid into the Sinking Fund except to the extent that such cash proceeds are used within eighteen months after their receipt by the New Company or a subsidiary for construction or for the acquisition of additional fixed assets or to reimburse the New Company or a subsidiary for moneys theretofore expended by it for construction or for the acquisition of additional fixed assets, or, if such proceeds are derived from the sale of a fixed asset of a subsidiary, they may be used to retire or pay the principal of any indebtedness of such subsidiary; provided, however, that this provision shall not apply to any sale where the cash proceeds received by the New Company or a subsidiary are less than $100,000, and provided further that in no event shall the New Company be required to pay to the Sinking Fund amounts in excess of the principal amount of Income Debentures then outstanding; (iii) a provision preventing the New Company from consolidating with or merging into any other corporation or selling or transferring all or substantially all of its assets to any other person, firm or corporation, unless prior thereto all of the Income Debentures then outstanding shall be directly secured by a closed mortgage upon the fixed assets of the New Company so to be owned by such consolidated or merged company or so to

be transferred or conveyed; (iv) a provision designed to prevent the New Company from paying any salary or compensation to any officer, director, or employee of any affiliated company, except only in proper amounts for services actually rendered; (v) a provision designed to prevent the New Company, by lease or otherwise, from acquiring property from or disposing of property to, an affiliated company, except upon the terms and conditions deemed to be fair by the respective Boards of Directors, after an appraisal of the property in question has been made by an independent engineer, or other expert, selected or approved by the Trustee under the indenture; provided, however, that this provision shall not apply to purchases or sales of property involving less than $25,000 or to leases involving an annual rental of less than $12,000; and (vi) provisions fixing an accounting system for computing depreciation, depletion and other charges and establishing a "depreciation base" as set forth in Schedules A and B annexed hereto.

The Court shall retain jurisdiction of the New Company's affairs until the outstanding principal amount of Income Debentures has been reduced to $5,000,000. This jurisdiction shall include the power to name the chief executive officer of the New Company and his successors and to fix the amount of compensation to be paid to such officer.

A definition of the term "fixed assets" appears in Schedule A annexed hereto.

Since it is impossible to forecast with accuracy when the Plan will be consummated, the date of the Income Debentures, the first interest payment date and the length of the first income period will be fixed by the Present Company with the approval of the Court. The Present Company with the approval of the Court may also make such other adjustments or changes in dates and definitions or other matters as may

be necessary or advisable to carry out the spirit and intent of the Plan.

(b) *Common Stock* (hereinafter called "New Common Stock") will be authorized for the amount of 520,000 shares without par value (subject to be increased to meet the requirements of Paragraph 8 (d) hereof) and will be issued to the extent and upon the terms provided in the Plan. The holders of New Common Stock will be entitled to one vote for each share. The holders of New Common Stock will not be entitled, as a matter of right, to subscribe for additional issues of stock or of securities convertible into stock of the New Company.

(c) *Miscellaneous.* No fractional shares of New Common Stock and no Income Debentures for less than $500 principal amount will be issued. In lieu thereof, a cash adjustment may be made in respect of such fraction or scrip (which does not bear interest or dividends) may be issued in respect thereof, all on a basis to be fixed by the Present Company with the approval of the Court.

DISTRIBUTION OF NEW SECURITIES.

8. Holders of Convertible Gold Notes and the $7 Cumulative Convertible Preferred Stock of the Present Company and other creditors of the Present Company whose claims are not assumed by the New Company, will be entitled, upon consummation of the Plan and upon the surrender of their present securities or claims, to receive New Securities upon the following basis:

(a) *Holders of Convertible Gold Notes* of the Present Company will be entitled to receive, for each $500 principal amount of Convertible Gold Notes:

$500 principal amount of Income Debentures,
2 shares of New Common Stock, and
$30 in cash.

(b) *Standard*, in full satisfaction of all indebtedness owing to it by the Present Company and by the Refining Company and in consideration of its transfer to the New Company of all the capital stock of the Refining Company held by Standard and of the land upon which the cracking plant is situated, together with the improvements thereon, will be entitled to receive:

380,000 shares of New Common Stock.

(c) *Holders of $7 Cumulative Convertible Preferred Stock* of the Present Company will be entitled to receive two shares of New Common Stock for each share of $7 Cumulative Convertible Preferred Stock held. Standard in so far as it is a holder of the $7 Cumulative Convertible Preferred Stock of the Present Company shall also be entitled to participate in the Plan as a holder of such stock.

(d) *Other general creditors* of the Present Company whose claims are not assumed by the New Company or otherwise adjusted will be entitled to receive for each $500 of indebtedness duly established:

$500 principal amount of Income Debentures,
2 shares of New Common Stock, and
$30 in cash.

(e) *Holders of the Common Stock* of the Present Company, as such, are not afforded any participation under the Plan.

CONFIRMATION OF PLAN.

9. This Amended Plan of Reorganization is being proposed by the Present Company pursuant to Section 77B of the Federal Bankruptcy Act, as amended. The Plan will become effective if the proposed compromise of the Standard claim hereinbefore referred to is approved by the Court and as

soon as practicable after this Plan has been accepted in writing by or on behalf of creditors holding two-thirds in amount of the claims of each class whose claims have been allowed and are affected by the Plan and by or on behalf of stockholders holding a majority of the stock of each class and after it has been confirmed by the Court. The Act of Congress, above referred to, provides that upon confirmation of the Plan by the court the provisions of the Plan and of the order of confirmation shall be binding upon the Present Company, all of its stockholders (including those who have not assented to it) and all creditors secured or unsecured (including those who have not accepted it).

Modification of the Plan.

10. In case this Amended Plan shall be further modified and such modifications, in the opinion of the Court, would be materially adverse to the security holders of any class, notice of such modification shall be given (in such manner as the court may direct) to the security holders of such class or classes so adversely affected who previously shall have accepted the Plan and they may thereupon withdraw their acceptance during such period as may be fixed by the Court and if any creditor or stockholder having such right of withdrawal shall not withdraw during such period he shall be deemed to have accepted the Plan as changed or modified.

In view of the fact that this Plan is based upon the assumption that the proposed compromise of the Standard claim hereinbefore referred to will be approved by the Court, the holders of Convertible Gold Notes and the holders of $7 Cumulative Convertible Preferred Stock of the Present Company, who accept this Plan, will be entitled to withdraw their acceptances without expense in such manner and within such time as the Court may determine in case the Court shall not approve said compromise of the Standard claim or shall not

allow the Standard claim upon terms substantially as set forth in said compromise.

11. Consistently with the express provisions of the Plan, the Certificate of Incorporation and by-laws of the New Company, the New Indenture providing for the issue of the Income Debentures, the Income Debentures themselves, the shares of New Common Stock and the Stock Certificates, and all other agreements and other instruments that may be necessary or appropriate for the purposes of the Plan, shall be in such form and contain such other and further provisions as may be approved by the Court.

All references in the Plan to Convertible Gold Notes shall, in so far as extended Convertible Gold Notes are concerned, be deemed to include the coupons appertaining thereto, unless the context otherwise indicates.

Dated: November 7, 1936.

SCHEDULE A.

METHOD OF TREATING AND COMPUTING AMORTIZATION OF NONPRODUCTIVE LEASEHOLDS, AMORTIZATION OF SERVICE STATIONS LEASEHOLD IMPROVEMENTS, LEASE RENTALS, DRY HOLES DRILLED, DEPLETION, DEPRECIATION AND ABANDONMENT.

The Indenture under which the Income Debentures will be issued will provide that amortization of nonproductive leaseholds, amortization of service stations leasehold improvements, lease rentals, dry holes drilled, depletion, depreciation and abandonments will be treated and/or computed substantially as follows in determining the amount of "available net income":

1. *Amortization of nonproductive leaseholds:*

An account entitled "Nonproductive Leasehold Investment Account" will be set up, the charges against which account will include all lease costs, renewal costs, commissions, geophysical and core drilling expense and title defense charges. The costs and expenses charged to this account will be amortized over the terms of the leases.

2. *Depletion of productive leaseholds and intangible costs and depreciation of physical equipment on productive leases:*

When a leasehold becomes productive, the amount carried in the Nonproductive Leasehold Investment Account, less the amount theretofore amortized, will be transferred to the Producing Investment Account.

The depletion and depreciation charge to Income Account will be credited to a reserve for depletion and a reserve for depreciation and the amount of this depletion and depreciа-

tion will be determined by the application of the following formula:

Unit rate

$$\frac{(a + b) - c}{(d + e \pm f) - g} = r$$

r. Rate of depletion and/or depreciation per barrel of oil produced and/or per 1000 cu. ft. of gas produced.

a. Cost of investment at basic date—the date of completion of the first producing well.

b. Subsequent costs, down to the close of the accounting period.

c. Amount of depletion and/or depreciation sustained to the beginning of the current fiscal year.

d. Estimated recoverable units at basic date.

e. Additions to d in respect of further productive wells completed.

f. Increase or decrease of estimated recoverable units at basic date, based upon facts ascertained subsequent to basic date.

g. Units produced from basic date to the beginning of the current fiscal year.

Amount

p times r — x

p. Units produced during current period.

r. Unit rate, as above.

x. Amount of depletion and/or depreciation for the current period.

3. *Lease Rentals:*

All lease rentals with respect to productive and nonproductive leaseholds will be charged to the Income Account when paid.

4. *Dry Holes Drilled:*

The cost of dry holes drilled, less salvage, will be charged to Income Account when determined dry. This will apply to dry holes drilled on both productive and nonproductive leaseholds.

5. *Amortization of service stations leasehold improvements:*

Improvements at leased service stations shall be amortized over the periods of the leases.

6. *Depreciation of other equipment:*

The equipment referred to under this heading would cover all equipment subject to wear, tear and obsolescence not classified as being applicable to the production of oil and gas, nor to improvements at leased service stations.

Depreciation will be calculated on what is known as the straight line basis, and the computation will be made in accordance with recognized accounting procedure, but in no event at rates greater, basically, than those published in January, 1931 by the Bureau of Internal Revenue in a booklet entitled "Depreciation Studies, Preliminary Report of the Bureau of Internal Revenue." The Indenture securing the New Income Debentures will provide that upon its execution by the New Company said booklet shall be identified by the New Company and filed with the Trustee thereunder.

7. *Abandonments:*

Abandonment charges will be computed upon the "depreciation base" referred to in the next paragraph after deducting all accrued depreciation, depletion and amortization theretofore taken with respect to the abandoned property. In connection with producing oil and gas leaseholds, each lease shall be considered a unit.

8. For the purpose of calculating depreciation and depletion, amortization of non-productive leaseholds, amortiza-

tion of service stations leasehold improvements, and property abandonments in connection with the determination of "available net income" for the purposes of the Income Debenture Indenture, the New Company shall keep a separate property account, in which shall be set up and properly allocated the amount of its fixed assets and those of its subsidiaries, the aggregate of which amount immediately following the consummation of the Plan shall not exceed the aggregate of (a) the principal amount of the Income Debentures to be issued under the Plan, (b) the principal amount of indebtedness of the Present Company to be assumed by the New Company, (c) the principal amount of indebtedness of subsidiary companies outstanding and not held by the New Company or another subsidiary, (d) an amount equal to $6 per share for the new Common Stock to be issued under the Plan. In said account the amount of all additional fixed property thereafter acquired shall be recorded at the actual cost thereof. The amounts carried in said property account are referred to herein as the "depreciation base" and shall be used as a basis for determining all amortization, depreciation, depletion, and abandonment charges for the purpose of calculating "available net income."

In providing for depreciation, depletion and amortization of "fixed assets" to be entered in the Property Account upon consummation of the Plan, it will be assumed that adequate provision has been made in respect of depreciation, depletion and amortization of such "fixed assets" up to the date of the consummation of the Plan and that subsequent provisions will absorb the amounts entered in the Property Account during the remaining lives of the units of property, provided, however, that the New Company may compute depreciation, depletion and amortization on gross book values (cost or appraisal values), which values may be in excess of

the sum of items listed above as a, b, c and d; provided further, however, that such provision does not exceed the provision for depreciation, depletion and amortization of the items entered in the Property Account computed as above described on the basis of remaining life.

9. Wherever used in the Plan and in this Schedule, the term "fixed assets" shall include all assets customarily included within the scope of the term as well as (a) investments in non-productive leaseholds, (b) investment in productive leaseholds, including intangible costs and physical equipment on productive leaseholds, and (c) all equipment subject to wear, tear and obsolescence but not classified as being applicable to production of oil and/or gas, but the term "fixed assets" shall not include advances to or investments in other companies.

Note: In no case shall charges be made to the reserve for depreciation in an amount in excess of the depreciation theretofore credited in respect to each item of property on which depreciation has been calculated on the straight line basis, nor to the reserves for depletion or depreciation in an amount in excess of the depletion and depreciation theretofore credited in respect to each producing oil and gas lease.

SCHEDULE B.

Inventory Valuation.

The Indenture under which the Income Debentures will be issued will provide that for the purpose of determining "available net income" physical inventories of crude oil, refined products and other merchandise held for sale by the New Company shall be taken semi-annually and that inventories of oil and gas field materials and supplies and all other operating materials and supplies shall be taken annually. Inventories shall be valued in accordance with the principles hereinafter set forth:

1. *Crude Oil:*

Crude oil in lease tanks at wells, shall be valued at the prevailing posted market price for the district where located; crude oil in pipe lines, at the prevailing posted market price in the district from which oil is being taken into the lines; crude oil in storage tanks at the posted market price at time produced or purchased, plus transportation costs, provided it shall not exceed the prevailing posted market price plus transportation costs at inventory date. All prices are to be applied according to the grade of oil on hand determined at the time of inventory taking.

2. *Refined Products:*

Refined products at refinery plants are to be valued at cost in accordance with recognized methods of cost finding employed in the oil industry, but in no event at more than the reproduction cost, based on the then prevailing posted market price of crude oil or the then prevailing market price of such refined products, if available, whichever is lower. Refined products at distributing points, if such were purchased

from others, shall be priced at delivered cost or delivered market, whichever is lower; refined products at distributing points, produced at Company's refinery, to be priced at the Group 3 refinery market prices at time of shipment, plus transportation to point of location, plus inspection fees and taxes and other costs, but in no event higher than the then prevailing Group 3 refinery market price, plus transportation, inspection fees, taxes, and other costs, provided, however, that a reserve be created to eliminate inter-departmental profit previously taken by the refinery plants in respect to such inventory.

3. *Other Merchandise Held for Sale:*

Other merchandise held for sale shall be valued at cost or market whichever is lower.

4. *Oil and Gas Field Materials and Supplies and All Other Operating Materials and Supplies:*

These materials and supplies shall be valued at cost if unused, and if used, at a value determined in accordance with the customary practice in the industry.

DEPOSIT AGREEMENT.

This Agreement, dated as of August 9, 1934, and as amended under date of November 10, 1936 between JOHN J. SHINNERS, NEWTON P. FRYE, ROBERT F. HOLDEN, JOHN H. MASON, GRAYSON M.-P. MURPHY and ALBERT J. ROBERTSON (hereinafter called the "Committee"), parties of the first part; and such holders of the Convertible Gold Notes, dated March 1, 1928 (hereinafter called "Convertible Gold Notes"), such holders of $7 Cumulative Convertible Preferred Stock and such other creditors of Deep Rock Oil Corporation (formerly named Shaffer Oil and Refining Company and hereinafter referred to as the "Corporation") as shall, conformably with the provisions of this agreement become parties hereto in the manner hereinafter provided, and their successors in interest, parties of the second part; and Standard Gas and Electric Company (as and when it shall become a party of this Agreement in the manner hereinafter provided, hereinafter referred to as "Standard"), party of the third part (said parties of the second and third parts being hereinafter sometimes collectively called the "Depositors");

WITNESSETH:

In consideration of the consent and undertaking of the Committee to act as such in behalf of the Depositors, as hereinafter set forth, and of the mutual agreements herein contained, and for other good and valuable considerations, the parties hereto agree, each of the Depositors agreeing with each of the other Depositors and with the Committee, as follows:

(a) The Depositors hereby constitute JOHN J. SHINNERS, NEWTON P. FRYE, ROBERT F. HOLDEN, JOHN H. MASON, GRAYSON M.-P. MURPHY and ALBERT J. ROBERTSON, a Committee with all of the powers, rights and privileges by this agreement conferred upon the Committee.

(b) A certain Amended Plan of Reorganization, dated November 7, 1936 (hereinafter called the "Plan") has been approved, filed and will be proposed by the Corporation as a Plan of Reorganization under the provisions of Section 77-B of the Bankruptcy Act, as amended, in the United States District Court for the Northern District of Oklahoma (hereinafter called the Oklahoma District Court). The Plan is and shall be taken to be a part of this Agreement with the same effect as though each and every provision thereof had been embodied herein, and said Plan and this Agreement shall be deemed and constitute one instrument.

(c) Holders of the Convertible Gold Notes and/or $7 Cumulative Convertible Preferred Stock of the Corporation may become parties hereto by depositing with the Depositary hereinafter designated, or any Sub-Depositary, on or before March 1, 1937 or such later date as may from time to time be fixed by the Committee or the Oklahoma District Court, their Convertible Gold Notes and the certificates representing their shares of $7 Cumulative Convertible Preferred Stock of the Corporation (which notes and shares of stock, together with the claims of Standard, H. M. Byllesby and Company, the Estate of E. E. Smathers, C. B. Shaffer and other creditors, are hereinafter referred to as the "Deposited Securities").

Convertible Gold Notes registered as to principal must be transferred to bearer before being deposited. Each Convertible Gold Note deposited which has been extended to March 1, 1937, must be accompanied by the September 1, 1933 interest coupon and all subsequently maturing interest coupons appertaining thereto. Each stock certificate must be properly endorsed for transfer in blank in the form approved by the Committee.

Transfer stamps need not be attached, the cost of any such transfer stamps which may be required to be affixed being a part of the expenses of the Committee under the Plan and this Agreement; except that, if a Certificate of Deposit is to be issued in the name of one other than the

owner of the deposited securities, in such case requisite transfer stamps must be furnished. Every Depositor who shall receive a Certificate of Deposit as herein provided, by the acceptance of such Certificate of Deposit shall be deemed to have assented to and accepted the Plan and shall be bound by the provisions thereof and of this Agreement in the same manner and with the same effect as if he had executed the same.

Standard may become a party to this Agreement by signing a copy thereof and thereupon it shall be deemed to have assented to and accepted all of the terms and provisions of the Plan and this Agreement, both as a creditor and as a Preferred and Common stockholder. Upon thus becoming a party to this Agreement Standard shall execute and deliver to the Committee, when and if the Committee requests it to do so, such instruments as the Committee may request for the purpose of transferring and assigning to the Committee, the claims held by Standard against the Corporation and against Deep Rock Oil and Refining Company (hereinafter called the "Refining Company"), as well as all of the capital stock of the Refining Company and all of the shares of Preferred and Common stock of the Corporation held by Standard.

H. M. Byllesby and Company, the Estate of E. E. Smathers and C. B. Shaffer may become parties to this Agreement and thereby assent to and accept the Plan by signing a copy thereof and by executing such further documents or instruments as the Committee shall determine.

Other general creditors of the corporation whose claims are not assumed by the New Company referred to in the Plan or otherwise adjusted may become parties to this agreement by signing a copy thereof and by assigning their claims to the Committee in such manner as it shall determine and thereupon they shall be deemed to have assented to and accepted the Plan and this Agreement.

Standard, H. M. Byllesby and Company, C. B. Shaffer, the Estate of E. E. Smathers and any other creditors of the

Corporation shall, upon becoming parties hereto, be included in the term "Depositors" as used herein.

The Committee shall have full power in its discretion from time to time, either in general or in particular instances and upon such general or special terms or conditions as it may prescribe, to extend the time for receiving deposits under this Agreement either before or after the period at any time limited for such deposits shall have elapsed, or to admit as parties to this Agreement the holders of any claims agains the Corporation.

The Committee may in its absolute discretion permit the holder of any Convertible Gold Notes, and/or $7 Cumulative Convertible Perferred Stock of the Corporation, and/or any creditors or other security holders of the Corporation, to assent to and accept the Plan and to become a party to this Agreement without the actual deposit of his securities or claim. Any such party to this Agreement shall be deemed to have assented to and accepted the Plan and unless otherwise required by the context hereof or of the Plan, be embraced within the term "Depositors."

(d) Each holder of Convertible Gold Notes and $7 Cumulative Convertible Preferred Stock of the Corporation depositing securities with the Depositary, or a Sub-Depositary, will receive a Certificate or Certificates of Deposit of the Committee signed or countersigned by the Depositary, or a Sub-Depositary, in substantially the form or forms attached hereto as Exhibits A and B.

The Committee hereby appoints The First National Bank of Chicago with offices at 38 South Dearborn Street, Chicago, Illinois, as its Depositary with authority to such Depositary to appoint one or more agents approved by the Committee to act under this Agreement in its behalf as subdepositaries or otherwise. The terms and provisions of this Agreement relating to the Depositary shall apply to any sub-

depositary so appointed, except as expressly limited in the instrument of appointment. The Depositary shall keep at its office, books (which shall be deemed books of the Committee) and shall record in such books the names and addresses (as furnished) of all persons to whom Certificates of Deposit are issued by such Depositary, and shall likewise record in such books all transfers of Certificates of Deposit made by such Depositary.

The interests represented by the respective Certificates of Deposit issued under this Agreement shall be transferable, subject to the terms and conditions of this Agreement and such reasonable rules and regulations as the Committee may prescribe, on the books of the Committee by the holders thereof in person or by duly authorized attorney, upon surrender of such certificates properly endorsed and accompanied by transfer stamps required by law. Thereupon a new Certificate or Certificates of Deposit, registered in the name of the transferee shall be issued. Each transferee of any Certificate of Deposit shall be deemed to be a Depositor, and as such shall be entitled to the same rights and privileges and in every way be as fully bound by and subject to the Plan and this Agreement as the original Depositor.

Title to Certificates of Deposit when properly endorsed shall be transferable to the extent permitted by law, with the same effect as in the case of negotiable instruments. Each holder of a Certificate of Deposit by the acceptance thereof shall be deemed to consent and agree that the delivery by any bearer thereof of such Certificate of Deposit properly endorsed in blank shall vest title thereto, and all rights and interests represented thereby, in the transferee to the same extent and for all purposes as would delivery under like circumstances of a negotiable instrument payable to bearer; provided, however, that the Depositary and the Committee may treat the holder of record of any Certificate of Deposit (or, when presented properly endorsed in blank, the bearer

thereof) as the absolute owner thereof for all purposes, and shall not be affected by any notice to the contrary.

All securities of or claims against the Corporation (other than the Convertible Gold Notes and the $7 Cumulative Convertible Preferred stock) entitled to participation under the Plan and now held or asserted by Standard, H. M. Byllesby & Co., the Estate of E. E. Smathers, C. B. Shaffer and other creditors entitled to participation under the Plan shall not be deposited with the Depositary but instead shall (if the Committee shall so require) be delivered or assigned by their respective holders to the Committee or to such representative or agent thereof as shall be by it designated in writing, and shall at all times thereafter be held by the Committee or such representative or agent as being deposited under this Agreement. The Committee may issue a receipt or receipts in the form to be prescribed by it in respect of such securities and claims thus deposited with it or with its representative or agent. Such receipts shall be non-negotiable and non-transferable without the consent of the Committee.

The Committee may make provision for the replacement of any Certificate of Deposit or receipt issued by it which shall be lost, stolen, mutilated or destroyed.

(e) The Committee is hereby authorized and empowered to act upon any construction of the Plan and this Agreement approved by the Oklahoma District Court. The Committee, subject to the approval of the Oklahoma District Court, may supply any defect or omission in this Agreement and reconcile any inconsistencies herein.

(f) No title to or interest in any securities or claims deposited hereunder, either with the Depositary or any sub-depositary, or the Committee itself, except as herein otherwise expressly provided, shall pass to or vest in the Committee or any Depositary, sub-depositary, representative or agent, unless and until the Committee shall have elected to take title

thereto as hereinafter provided. The Committee is hereby constituted the attorney in fact and agent of the Depositors, and as such agent and/or attorney in fact shall be entitled to exercise all rights of the owners and holders of all securities of and claims against the Corporation deposited hereunder and all rights of the Depositors in respect of the interest of such Depositors in said securities or claims thus deposited.

Depositors whose securities are deposited with the Depositary or any sub-depositary hereby authorize the Committee, by written notice filed with the Depositary or sub-depositary, to transfer to themselves or their nominees legal title to such deposited securities or any thereof, and upon the filing of such notice to cause the Convertible Gold Notes and the shares of $7 Cumulative Convertible Preferred Stock of the Corporation then or thereafter deposited under this Agreement to be transferred into or registered in its name or into the name of its nominee or nominees. Legal title to the claims against the Corporation to be deposited by Standard and other creditors with the Committee, or its representative or agent, as in this Agreement provided, may likewise be acquired by the Committee or its nominee or nominees upon its giving written notice of its intention so to do to the creditor involved. Title to all securities of and/or claims against the Corporation thus acquired shall vest in the Committee as joint tenants and not as tenants in common, and in the survivor and survivors of them, and in their successors and assigns, and upon being thus vested with such legal title the Committee shall likewise be vested with all of the rights, power and authority attendant upon such absolute ownership of all such securities and/or claims. All Depositors under this Agreement severally agree that at any time when the Committee shall have elected to take title to such securities or any thereof, or to any deposited claims against the Corporation, entitled to participation un-

der the Plan, they will execute and deliver to or upon the order of the Committee any and all further transfers and assignments or other writings requested by the Committee in order to more effectively vest the ownership of said securities and/or claims in the Committee or in its nominee or nominees. But the failure to request any such further transfers and assignments or other writings shall in no way limit or affect the absolute title of the Committee when it shall elect to take title, as aforesaid. Unless and until the Committee shall take title thereto, any and all directions to the Depositary or other representative or agent of the Committee respecting any securities of or claims against the Corporation deposited with the Depositary or such agent or representative and the possession of and/or any and all disposition or action in respect to such securities or claims shall on the part of the Committee be as the irrevocable agent and attorney in fact of the Depositors of such securities and/or claims. Without electing to take title to the shares of the $7 Cumulative Convertible Preferred Stock of the Corporation deposited hereunder, the Committee, as such agent and attorney in fact of the Depositors, may cause such shares or any part thereof to be transferred into the name of one or more nominees and likewise, without electing to take title to the Convertible Gold Notes or other claims deposited hereunder, as such agent and attorney in fact, the Committee may cause such Notes or claims or any part thereof to be registered as to principal in the name of or assigned to one or more nominees.

(g) Each and every creditor and securityholder of the Corporation upon becoming a "Depositor" hereunder thereby assents to and accepts the Plan and authorizes and requests the Committee as the Depositor's agent and attorney in fact to endeavor to carry out the Plan and this Agreement, in the manner set forth in the Plan and this Agreement, and for this purpose the Committee is empowered hereby to exer-

cise all of the rights of the Depositors with respect to the deposited securities and to execute on behalf of the Depositors such further assents or acceptances as may be necessary or advisable to evidence the Depositors' assent to and acceptance of the Plan. The methods to be employed, however, by the Committee, in carrying out the Plan and this Agreement, shall be entirely discretionary with the Committee and the Plan and this Agreement are in all respects to be liberally construed so as to enable the Committee to carry into effect the intent and purposes of the Plan. Without prejudice to the general power and authority so granted, the Depositors hereby severally and irrevocably authorize and empower the Committee, and at the election of the Committee, either before or after the Plan shall be confirmed:

To take or institute or cause to be taken or instituted such actions or proceedings, legal or otherwise, to give such directions, to execute such papers and to do or cause to be done such acts or things as to the Committee may seem necessary or advisable for any of the purposes of the Plan and this Agreement;

To file claims for any deposited Convertible Gold Notes, and/or other securities of or claims against the Corporation, whether for principal or interest, or otherwise;

To give any notice or to make any demand upon or request of the Trustee under the indenture under which the deposited Convertible Gold Notes are issued;

To declare or cause to be declared due and payable the principal of any and every Convertible Gold Note and/or other obligation of or claim against the Corporation deposited hereunder and of the entire issue of Convertible Gold Notes, and to revoke or annul such declaration or to cause the same to be revoked and annulled;

To request and direct, or to give consent, assent and/or approval to or to waive any action by the Trustee of the Indenture under which the Convertible Gold Notes are issued in

any manner in which the request, demand, consent, assent or approval of the owners or holders of the Convertible Gold Notes, or any portion thereof, may be required, permitted, or appropriate under the provisions of said Indenture; to indemnify said Trustee against any and all costs, expenses and outlays, counsel fees and other proper disbursements and any other liability growing out of the compliance by said Trustee with any request or demand upon said Trustee for the protection and enforcement of its rights and the rights of the holders of said Convertible Gold Notes, and to charge the deposited Convertible Gold Notes and/or Preferred Stock and/or other securities of or claims against the Corporation as security for such indemnity;

To call or waive notice of and to attend and vote at, in person or by proxy, any and all meetings of creditors or stockholders (as the holder and owner of the deposited securities if the Committee shall have taken title thereto, or as the attorney in fact and proxy of the Depositors if the Committee shall not have taken title to such securities) and to vote or cause to be voted, or to consent with respect to any or all of the deposited securities of any class or classes and/or claims against the Corporation in any manner or for any purpose deemed by the Committee to be advisable for the purpose of carrying out the Plan and this Agreement;

From time to time, and upon such terms as the Committee may determine, to borrow or otherwise obtain money for any of the purposes of the Plan or of this Agreement from any source including the Depositary or any sub-depositary, and to charge or pledge the deposited securities, claims and/or any property acquired by the Committee pursuant to the provisions of the Plan or of this Agreement, or any new securities to be issued, for the payment of any moneys borrowed or indebtedness or liability incurred, provided the amount of such borrowings and the purposes thereof are approved by the Oklahoma District Court;

To direct in writing the Depositary, or any sub-depositary (or any representative or agent of the Committee) to hold securities or claims deposited with it (or held by such representative or agent) and any other property as security for the repayment of any moneys borrowed or to be borrowed or for any indemnity agreement in accordance with this Agreement, in which case such securities and other property shall be and shall be held by the Depositary or sub-depositary (or by such representative or agent) as security for such advance, with the same effect as if they were actually deposited with the person making such advance;

To institute, intervene in and/or to become a party to or to exercise control over any suits or proceedings in which the Depositors of securities or claims of any class or classes are or may be interested, or which in the judgment of the Committee may affect the property of the Corporation or of any of its subsidiary companies or the rights or interests of the Depositors;

To form or to procure the formation of any syndicate or syndicates of which the Committee or any member or members thereof, acting alone or in association with others, may directly or indirectly be a participant or participants and/or the manager or managers for the promotion and for the financing of new securities of the New Company;

To cause to be listed upon any stock exchange any of the Certificates of Deposit and any of the new securities contemplated by the Plan, and to pay any costs and expenses incident thereto;

To execute and deliver such documents as shall be required for any of the purposes of the Plan and of this Agreement;

To make any settlement or adjustment with any owner or holder of any securities of or claims against the Corporation, whether or not such securities or claims shall be affected by the Plan, including (without limiting the generality of the

foregoing) any owner or holder of Convertible Gold Notes, $7 Cumulative Convertible Preferred Stock and/or other securities of or claims against the Corporation affected by the Plan and not depositing the same hereunder, for the purpose of acquiring such securities or claims or of securing from the owner or holder thereof his consent to and acceptance of the Plan or any action or non-action contemplated by the Committee or the deposit of such securities or claims hereunder or otherwise; and

In general to do such acts and to take all and singular such proceedings as in the absolute discretion of the Committee shall seem to it necessary or advisable for the protection of the rights and interests of the Depositors.

Any action contemplated in the Plan or authorized by this Agreement may be taken or performed whenever the Committee in its discretion shall deem the same advisable. Any such action may be taken by the Committee, or at its instance, at any time when the Committee shall deem the reorganization advanced sufficiently to justify such action, and the Committee, as it may deem necessary or expedient, may defer or cause or permit to be deferred the performance of any provision of the Plan or of this Agreement, or may commit such performance to the New Company referred to in the Plan and, subject to the approval of the Oklahoma District Court may consent or arrange that said New Company (i) shall pay or assume any indebtedness, liabilities or expenses heretofore or hereafter authorized or incurred by the Committee or otherwise in furtherance of the Plan, or (ii) shall make or assume any obligations which in the judgment of the Committee may be necessary or expedient to carry out the Plan and this Agreement.

(h) The Committee may employ counsel, depositaries, agents, and all necessary assistants, and may delegate any power or authority as well as discretion; and may incur and discharge any and all expenses which it deems

reasonable in carrying out or attempting to carry out the Plan, as well as all expenses in connection with the preparation of the Plan or this Agreement, the issue of Certificates of Deposit and the issue and transfer of securities, the listing on exchanges of Certificates of Deposit, legal expenses, expenses for advertising and printing, and all other expenses in any manner connected with the Plan and this Agreement or which, in its uncontrolled discretion, the Committee may deem it expedient to incur in promoting the purposes of the Plan. A statement of such expenses shall be submitted to the Oklahoma District Court for consideration and approval and for such action as such court may see fit to take. The members of the Committee shall be entitled to compensation for their services unless the Plan be abandoned, and such compensation (provided the amount be approved by the Oklahoma District Court) shall be binding and conclusive on all parties. For their compensation, expenses, indebtedness, obligations and liabilities (whether heretofore or hereafter incurred), the Committee shall have a lien upon all the deposited securities and/or claims and upon all property, securities and cash acquired in the course of the reorganization and, until their distribution, upon the new securities contemplated by the Plan. Subject to the approval of the Oklahoma District Court, the Committee may provide that such compensation, expenses, indebtedness, obligations and liabilities, or any portion thereof, shall be paid by the Corporation or be assumed and paid by the New Company referred to in the Plan.

(i) If the offer to compromise its claim filed on November 9, 1936 by Standard Gas & Electric Company with the Oklahoma Court is not approved, upon determination by the Oklahoma District Court of the claim of Standard, the Committee shall give, in the manner provided in paragraph (n) hereof, to the holders of Certificates of Deposit representing Convertible Gold Notes deposited under the Plan prior to such determination, notice of the terms of such determination, and, within a period of time to be fixed by said court, such holders of Certificates of Deposit may withdraw their accept-

ance of the Plan and the securities represented by their Certificates of Deposit without expense to them, by surrendering their Certificates of Deposit, endorsed as the Committee shall direct. Each such Depositor not so withdrawing within the period fixed by said court shall be irrevocably and conclusively deemed to have assented and re-assented to and accepted and re-accepted the Plan and this Agreement and shall be bound and concluded thereby as effectively as if he had assented thereto in writing after the determination of the claim of Standard. However, the Plan shall be submitted to and confirmed by the Oklahoma District Court before it is consummated.

(j) Before or after the Plan is confirmed by the Oklahoma District Court changes and modifications may be made therein in the manner provided by Section 77-B of the Bankruptcy Act and such changes or modifications shall bind and conclude the Depositors; provided, however, that if, in the opinion of said court, the change or modification will be materially adverse to the interest of any Depositor, the Committee shall give notice thereof to such Depositor in the manner provided in paragraph (n) hereof and such Depositor so adversely affected may, within a period of time to be fixed by said court, withdraw his acceptance of the Plan (or direct the Committee to do so) and, upon the terms and conditions set forth in paragraph (k) hereof, withdraw the securities represented by his Certificate of Deposit or other receipt. Every Depositor having such right of withdrawal who shall not so withdraw within such period shall be irrevocably and conclusively deemed to have accepted the Plan as changed or modified. The changes or modifications so accepted shall become a part of the Plan and this Agreement, and all provisions and references concerning the Plan shall apply to the Plan so changed or modified.

The Committee shall have power at any time, either before or after the Plan is confirmed by the Oklahoma District Court, to modify this Agreement, or any part thereof, and any such

modification shall bind and conclude the Depositors; provided, however, that, if in the opinion of the Oklahoma District Court such modification will be materially adverse to the interest of any Depositor, the Committee shall give notice thereof to such Depositor in the manner provided in paragraph (n) hereof and such Depositor so adversely affected may, within a period of time to be fixed by said Court and upon the terms and conditions set forth in paragraph (k) hereof, withdraw the securities represented by his Certificate of Deposit or other receipt. Every Depositor having such right of withdrawal who shall not so withdraw within such period shall be irrevocably and conclusively deemed to have assented to the proposed modification of this Agreement and shall be bound and concluded thereby as effectively as if he had assented thereto in writing. The modifications of this Agreement so adopted by the Committee shall become a part of this Agreement and all provisions and references concerning this Agreement shall apply to this Agreement so modified.

The Committee may terminate this Agreement at any time, either before or after the Plan shall have been confirmed by the Oklahoma District Court. Such termination shall be effected by resolution adopted by the Committee or by a written instrument signed by the Committee. Unless sooner terminated by the Committee, this Agreement shall remain in full force and effect until December 1, 1936, which date, however, may be extended to December 1, 1937 by the Committee if such extension is approved by the Oklahoma District Court. Whenever this Agreement shall terminate, notice of such termination shall be given in accordance with the provisions of paragraph (n) hereof. Upon the termination of this Agreement, the Depositors may, subject to the provisions of paragraph (k) hereof, withdraw the deposited securities represented by their Certificates of Deposit or other receipts. The termination of this Agreement shall not affect any previous action taken by the Committee.

(k) In case any Depositor shall have the right to withdraw from this Agreement and elects to do so, or upon termination of this Agreement, he shall surrender to the Depositary or sub-depositary his Certificate of Deposit with a properly executed transfer thereof, and shall pay to such Depositary or sub-depositary for the account of the Committee (i) such taxes as may be imposed upon the transfer or delivery of the securities withdrawn; and (ii) the pro rata share of such Depositor, as determined in the sole and unrestricted discretion of the Committee, of the compensation, expenses, indebtedness, obligations and liabilities of the Committee incurred to the date of such withdrawal unless the payment of such compensation, expenses, indebtedness, obligations and liabilities shall at the date of such withdrawal be otherwise provided for in a manner satisfactory to the Committee. It is understood, however, that the holders of Convertible Gold Notes of the Corporation who deposit their notes prior to the determination of the Standard claim by the Oklahoma District Court, may withdraw the notes so deposited, as provided in paragraph (i) of this Agreement, without obligation to pay any portion of the Committees' expenses and other charges mentioned above. For the purpose of this paragraph (k), Standard and any other creditors of the Corporation who become parties hereto by assigning their claims to the Committee or otherwise shall surrender all receipts, if any, held by them and shall make all payments required by this paragraph (k) to the Committee instead of the Depositary.

The Committee, subject to the provisions of this Agreement, is authorized and empowered to make reasonable regulations as to the procedure to be followed by the holders of Certificates of Deposit or other receipts in withdrawing, in any of the events aforesaid, the securities of the class represented by their Certificates of Deposit or other receipts, and for the purpose of facilitating delivery of such securities, the

Committee may order the books for the transfer of Certificates of Deposit to be permanently closed against the making of transfers at a date not less than ten (10) days after the giving of notice of such closing of the books to the Depositors in accordance with the provisions of paragraph (n) hereof.

(l) The Committee, subject to the provisions of this Agreement, is authorized and empowered to prescribe terms and conditions as to the surrender of Certificates of Deposit, with which the holders of Certificates of Deposit must comply in order to receive the securities deliverable to them under the Plan, and for the purpose of facilitating the delivery thereof the Committee may order the books of the Committee for the transfer of Certificates of Deposit to be permanently closed against the making of transfers at a date not less than ten (10) days after the giving of notice of such closing of the books to the Depositors in accordance with the provisions of paragraph (n) hereof.

The accounts of the Committee, after having been approved by the Oklahoma District Court shall be final, binding and conclusive upon all parties having any interest therein, and upon such approval thereof by said court the Committee shall be discharged.

Every holder of a Certificate of Deposit or other receipt, by the surrender thereof to the Committee and the receipt of the securities represented by his surrendered Certificate of Deposit or other receipt, or securities deliverable to him hereunder, shall be deemed to have released and discharged the Committee, the Depositary and all other persons from all liability and accountability of any and every kind hereunder.

After the books for the transfer of Certificates of Deposit shall have been closed against the making of transfers (whether upon the consummation of the Plan or upon its abandonment), the Committee, whenever there shall be lodged with the Depositary and/or any sub-depositary,

(a) In case the Plan shall have been consummated,—the new securities which Depositors shall be entitled to receive under the Plan and this Agreement; or

(b) In case the entire Plan shall have been abandoned,—the securities of the Corporation (or the avails thereof, then under the control of the Committee) represented by the outstanding Certificates of Deposit;

may by an instrument in writing instruct the Depositary and or any sub-depositary to hold the new securities or the securities of the Corporation (or the avails thereof then under the control of the Committee), as the case may be, so lodged with it, for the holders of outstanding Certificates of Deposit and to distribute the same to such holders upon surrender to it of their Certificates of Deposit and the payment of such amounts, if any, as may be payable under the provisions of paragraph (k) hereof; and such securities having been so lodged with the Depositary or any sub-depositary and such instructions having been so given, the Committee shall be under no responsibility to the Depositors, and the rights of the Depositors shall be limited to receiving from the Depositary or sub-depositary such securities so held by the Depositary or sub-depositary; provided, however, that the Committee shall not be so discharged from responsibility with respect to the claims assigned to it by Standard and other creditors until the new securities deliverable with respect to such claims (or, in case the Plan is abandoned, the claims themselves), or the avails thereof, shall have been delivered or reassigned to the parties entitled thereto upon surrender of the receipts issued by the Committee or its representatives or agents.

(m) Upon the consummation of the Plan, the Committee may, if in its discretion such course be deemed advisable, cancel and discharge or consent to the cancellation and discharge of the deposited securities (including the securities and claims deposited with it by Standard and other creditors) and the Committee may transfer and deliver or otherwise

dispose of such deposited securities for the purpose of acquiring the securities to be issued by the New Company under the Plan to which the Depositors will become entitled or for any other purpose in connection with the consummation of the Plan as the Oklahoma District Court may direct. Any such cancellation and discharge, or consent thereto, shall be evidenced by the execution and delivery of all such releases, consents or other instruments as may be necessary or appropriate under the circumstances; and also by an instrument in writing signed by the Committee and filed with the Depositary.

Unless and until such an instrument be so filed with the Depositary, all securities and claims deposited under this Agreement, or acquired or held by the Committee under any of the provisions hereof, shall, to the extent permitted by law, remain in full force and effect for all purposes and unless otherwise provided by law or decree of the Oklahoma District Court shall not be deemed to have been merged, satisfied, released or discharged by any delivery of new securities, and no right or lien unless otherwise provided by law or decree of the Oklahoma District Court shall be deemed to be released or waived, but said securities and claims, and any judgment upon any of such securities or claims, and all liens and equities shall remain unimpaired and may be enforced by the Committee or by any assignee of the Committee, until paid or satisfied in full or expressly released.

Neither the Committee nor the Depositary nor any subdepositary is to be under any obligation, legal or equitable, express or implied, to any holder of securities of any class of the Corporation or of claims of any class against the Corporation who shall not deposit the same hereunder, or to any person whomsoever, other than Depositors. With respect to the Depositors, the Committee undertakes to endeavor in good faith to carry out the Plan and this Agreement, but neither the Committee nor any member thereof nor the De-

positary or any sub-depositary assumes any responsibility for the carrying out of the Plan and this Agreement or for the result of any steps taken or acts done for such purpose. Neither the Committee nor any member thereof nor the Depositary or any sub-depositary, shall be liable for any act or omission of any attorney, agent or employee, or for anything except for his or its own willful misconduct.

No estimate, statement, explanation or suggestion, contained in the Plan or in the preliminary communication prefixed thereto or in this Agreement or in any document, circular, letter, notice or other communication now or hereafter issued or published by or on behalf of the Committee, is intended or is to be taken as a representation or as an inducement or a condition of any deposit or assent or payment under the Plan or this Agreement; and no error or defect or irregularity herein or therein shall release any Depositor or affect or release any assent to or acceptance of the Plan or any deposit under this Agreement or any payment made or anything done thereunder or hereunder, except with the written consent of the Committee.

Any member of the Committee or any corporation, association or partnership of which any member of the Committee may be an officer, director, member, stockholder or partner, or the Depositary or any sub-depositary or any officer or director of the Depositary or any sub-depositary may be or become pecuniarily interested in any Convertible Gold Notes, Preferred Stock, Certificates of Deposit, claims, contracts, securities, property or matters with which the Plan or this Agreement is concerned, and may participate in any underwriting syndicate as syndicate manager, syndicate subscriber, or otherwise, and may be an officer or director of the Corporation and/or the New Company referred to in the Plan. The Depositary or any sub-depositary may be trustee under any indenture or agreement created or entered into in connection with the Plan, may loan money to or otherwise pro-

vide funds for the Committee for any of the purposes of the Plan or of this Agreement, may accept and hold the deposited securities, claims and/or any property acquired by the Committee pursuant to the provisions of the Plan or of this Agreement, or any new securities to be issued as security therefor, or may otherwise act in any manner for the Corporation and/or the New Company referred to in the Plan.

(n) Any notice required or permitted by the provisions hereof to be given to any Depositor shall be conclusively deemed to have been duly given if given in accordance with the orders or directions of the Oklahoma District Court. In case said court shall not order or direct the Committee to give notice to Depositors hereunder in any particular manner then any notice required or permitted by the provisions hereof to be given to any Depositor shall be conclusively deemed to have been duly given if published in a newspaper of general circulation in the City of Chicago and in a newspaper of general circulation in the City of New York once in each of three successive calendar weeks, in each instance in any such newspaper and on any day of the week. Any notice given as provided in this paragraph shall be sufficient for all purposes whether or not actually brought to the notice of any Depositor. Any Depositor may furnish an address to the Secretary of the Committee to which notices may be mailed and to each such Depositor the Committee will mail, postpaid, a copy of any such notice, but failure to mail notices to any such Depositor shall not affect any proceedings taken pursuant to notice given as aforesaid.

(o) The Committee, as from time to time constituted and notwithstanding any vacancy, shall have all the powers, rights and interest of the Committee as named in this Agreement. The Committee shall appoint from its members a Chairman, and may appoint a Secretary (who may, but need

not, be one of its members) who shall keep a record of its acts and proceedings.

The Committee may from time to time add to its number by electing an additional member or additional members, and the additional member or members so elected shall have all the title, rights, powers and authorities of members of the Committee, and together with those named herein, or their successor or successors, shall constitute the Committee under this Agreement, with like force and effect as if they were specifically herein named.

Any member of the Committee may resign by filing written notice of his resignation with its Chairman or Secretary. In case at any time a vacancy shall occur in the Committee by death or resignation, or from any other cause, such vacancy may, but need not, be filled by a majority of the members remaining. Notices of changes in the membership of the Committee signed by the Chairman or Secretary of the Committee and filed with the Depositary shall bind all parties hereto.

A majority of the members of the Committee shall constitute a quorum for all purposes, and, except as herein otherwise expressly provided, all of the powers of the Committee may be exercised by a majority of its then members. The Committee may act at a meeting, or in writing or by telegraph, wireless or cable without a meeting. A member of the Committee by written proxy may authorize any person (who may, but need not, be another member of the Committee) to act in his place for any and all purposes. The certificate of the Chairman or Secretary as to any action by the Committee shall be conclusive upon and full protection to the Depositary and any sub-depositary and all other persons, and conclusive upon all Depositors, as to all acts and things so certified to have been done by the Committee.

(p) The deposited securities and all moneys paid to the Depositary or any sub-depositary under the Plan and this

Agreement shall be held and disposed of by the Depositary or sub-depositary in accordance with the orders of the Committee, and the Depositary or sub-depositary shall incur no liability for anything done or permitted to be done at the request or direction of the Committee, the Depositary and sub-depositary being solely the agent for the Committee and acting in a ministerial capacity hereunder. The Depositary and any sub-depositary shall be bound to exercise only reasonable care in the safekeeping of the deposited securities and of any other securities or cash which may be deposited with or held by it hereunder respectively, and to deal therewith in accordance with the directions of the Committee.

Neither the Depositary nor any sub-depositary shall (a) be under any duty, obligation or liability not affirmatively expressed in this agreement; (b) be answerable or liable for the acts or omissions of any officer, employee, agent or attorney appointed and selected in good faith, nor for any error of judgment or mistake of law; (c) be responsible for the validity of the new securities delivered upon consummation of the Plan, or required to determine whether such new securities and the indenture under which they are issued have all the characteristics set forth in the Plan; (d) be responsible for any matter or thing connected with or related to this agreement, except for its own actual bad faith in the discharge of its duties hereunder. The Depositary and each sub-depositary shall at all times be protected and free from liability in acting upon the advice of counsel, or acting upon any note, coupon, notice, request, certificate, affidavit or other paper or document or signature believed to be genuine and to have been signed by the proper party or parties purporting to have signed the same.

Neither the Depositary nor any sub-depositary, by the delivery of any Certificate of Deposit hereunder, makes any representation or warranty of any sort whatsoever other than that it agrees to use its best judgment and good faith in the

performance of its duties hereunder, and by the acceptance of any such Certificate of Deposit every holder expressly relieves the Depositary and sub-depositary of any liability except as aforesaid.

The Depositary or any sub-depositary may resign by filing written notice of such resignation with the Chairman or Secretary of the Committee, and the Committee shall have power to appoint a new Depositary. In the event of the resignation of the Depositary or any sub-depositary, such Depositary, or sub-depositary, shall deliver all cash, securities, property and records held by it hereunder as directed by the Committee.

(q) No Depositor nor any other person without the written consent of the Committee shall be entitled to request, receive or obtain either from the Committee, the Depositary nor any sub-depositary a list of the other Depositors or of the security holders of the Corporation nor shall any Depositor nor any other person be entitled without such consent to examine such a list or to examine the books and records of the Committee or the Depositary or any sub-depositary.

(r) The enumeration of specific powers herein conferred upon the Committee shall not be construed to limit or to restrict general powers herein conferred or intended so to be, and it is hereby declared that it is intended to confer upon the Committee in respect of all deposited securities and claims and in all other respects any and all powers which the Committee may deem expedient for carrying out or promoting the purposes of the Plan and this Agreement in any respect, even though any such power be apparently of a character not now contemplated; and the Committee may exercise any and every such power as fully and effectively as if the same were herein distinctly specified and as often as and for any reason it may deem expedient.

(s) Each Depositor agrees with every other Depositor and with the Committee that he will cooperate with the Com-

mittee to the fullest extent possible in order that the Plan may be consummated as quickly as reasonably possible. In case any Depositor shall fail to cooperate to such an extent that the Committee shall deem it for the best interests of the other Depositors that such Depositor not so cooperating shall withdraw from the Plan and this Agreement, the Committee may in its absolute discretion, but it need not, request such Depositor to so withdraw. If any Depositor shall be so requested to withdraw he agrees that upon tender to him of the Deposited Securities (or the Avails thereof) then represented by his Certificate of Deposit, he will forthwith surrender his Certificate of Deposit to the Depositary (with a properly executed transfer thereof) and pay to the Depositary (for the account of the Committee) the amounts required to be paid by paragraph (k) hereof.

(t) The Plan and this Agreement shall bind and benefit the several parties hereto, and each and all the survivors, heirs, executors, administrators, successors and assigns of said parties, and of each of them. The rights of the Depositors shall be such only as are conferred by the Plan and this Agreement and shall be subject to compliance by the Depositors with the terms and conditions set forth therein and herein. The term "Depositors" shall include every party to the Plan and this Agreement and the holder for the time being of any Certificate of Deposit or receipt issued hereunder and thereunder and shall include the singular as well as the plural number.

(u) In case any clause, sentence, paragraph or part of the Plan or this Agreement shall be adjudged or decreed invalid, such judgment or decree shall not affect, impair, invalidate or nullify the remainder of the Plan or this Agreement, but the effect thereof shall be confined to the clause, sentence, paragraph or part so adjudged or decreed to be invalid. In case any part of this Agreement shall be inconsistent with any order, direction or decree of the Okla-

homa District Court entered in connection with the Plan and its consummation, the Committee shall be authorized to comply with such order, direction or decree and such compliance shall in no respect constitute a variance from or a violation of this Agreement.

(v) In the event that it should be determined by the Oklahoma District Court that it does not have the power or jurisdiction to review, consider, approve or disapprove any subject matter or thing herein provided to be submitted to said court for its review, consideration, approval or disapproval, then upon such determination and after a full disclosure has been made to the court of the matter submitted to it, the decision and conclusion of the Committee made in good faith shall be final and binding upon all Depositors.

(w) This agreement may be executed in several counterparts, and all of such counterparts shall be taken together as forming one instrument. Upon execution of this instrument by the members of the Committee an executed counterpart shall be deposited with the Depositary.

IN WITNESS WHEREOF, the members of the Committee have executed this Agreement, and the Depositors have become parties hereto by depositing their securities or claims hereunder and under the Plan, or otherwise, as above set forth, all as of the day and year first above written.

JOHN J. SHINNERS,

NEWTON P. FRYE,

ROBERT F. HOLDEN,

JOHN H. MASON,

GRAYSON M.-P. MURPHY,

ALBERT J. ROBERTSON,

Reorganization Committee.

EXHIBIT A.

(Front)

No.....

$.....
Principal amount of notes deposited

CERTIFICATE OF DEPOSIT

FOR

DEEP ROCK OIL CORPORATION
(Formerly Shaffer Oil and Refining Company)

CONVERTIBLE GOLD NOTES, DATED MARCH 1, 1928

This Certifies That.....
(or his predecessor in interest) has deposited with The First National Bank of Chicago, as Depositary (hereinafter called the "Depositary") .....Dollars principal amount of Convertible Gold Notes, dated March 1, 1928 (hereinafter sometimes called the "Notes"), issued by Deep Rock Oil Corporation (formerly Shaffer Oil and Refining Company), a Delaware corporation, under its certain Indenture, dated as of March 1, 1928, entered into with Union Trust Company, as Trustee (to which The First National Bank of Chicago is successor Trustee), numbered_____

If the maturity of the Notes so deposited was extended from March 1, 1933 to March 1, 1937, there are attached to the Notes deposited all interest coupons maturing on and after September 1, 1933.

Said Notes (and coupons, if any) are deposited and this certificate is issued under and pursuant to the terms and conditions of a certain Deposit Agreement, dated as of August 9, 1934 and as amended November 10, 1936 and executed by John J. Shinners, Newton P. Frye, Robert F. Holden, John H. Mason, Grayson M.-P. Murphy and Albert J. Robertson, as a Committee, a copy of which is on file in the principal office of the Depositary. The holder and each transferee of this certificate shall be deemed to be a Depositor under and a party to said Deposit Agreement and as such shall be entitled to the

same rights and privileges and in every way be as fully bound by and subject to said Deposit Agreement as though he had signed the same. By becoming a Depositor under and a party to said Deposit Agreement and by accepting this certificate, the holder hereof shall be deemed to have assented to and accepted a certain Amended Plan of Reorganization which was proposed by Deep Rock Oil Corporation on August 20, 1934 in the United States District Court for the Northern District of Oklahoma, pursuant to the provisions of Section 77B of the Bankruptcy Act of the United States, and amended by the filing by said Corporation with said Court, of Amendments and Modifications on November 9, 1936; a copy of which Amended Plan is on file in the principal office of the Depositary.

Each holder of this certificate by acceptance hereof shall be deemed to consent and agree that the delivery by any bearer of this certificate properly endorsed in blank shall vest title hereto, and all rights and interests represented hereby, in the transferee to the same extent and for all purposes as would delivery under like circumstances of a negotiable instrument payable to bearer; provided, however, that the Depositary and the Committee acting under said Deposit Agreement may treat the holder of record of this certificate (or, when presented properly endorsed in blank, the bearer hereof) as the absolute owner hereof for all purposes, and shall not be affected by any notice to the contrary.

This certificate and the interests represented hereby are transferable, subject to the terms and conditions of said Deposit Agreement, on the books of the Committee acting under said Deposit Agreement by the holder hereof in person or by his duly authorized attorney, upon surrender of this certificate properly endorsed and accompanied by transfer stamps required by law, at the principal office of the Depositary in Chicago, Illinois, and the Committee acting under said Deposit Agreement and the Depositary shall not be bound to take notice of or be affected by any trust or agreement respecting the ownership of this certificate or the Notes and/or coupons represented hereby and referred to herein.

This is a certificate of the Committee acting under said Deposit Agreement and the Depositary in issuing the same is acting in a ministerial capacity, solely as the agent for said Committee.

THE FIRST NATIONAL BANK OF CHICAGO,
As Depositary.

By.....,
Assistant Secretary.

Dated, Chicago, Illinois.....

NOTE: Appropriate changes will be made in certificates to be issued by a sub-depositary.

(Back)

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto .....
the within certificate and all property and rights represented thereby subject to all the terms and conditions contained in the Deposit Agreement in said certificate mentioned and referred to, and hereby authorizes.....
to transfer said certificate on the books of the within named Depositary and the books of the committee acting under said Deposit Agreement, with full power of substitution in the premises.

WITNESS the hand and seal of the undersigned this.....
.....

....(SEAL)

In the presence of:

.....

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the Certificate, in every particular, without alteration or enlargement or any change whatever. As a condition to the transfer of this Certificate the Depositary may require the signature of the registered holder to be guaranteed in a manner satisfactory to it and if such transfer is executed by a corporation, administrator, executor, trustee, guardian, attorney or other fiduciary, evidence of authority satisfactory to the Depositary must be furnished.

EXHIBIT B.
(Front)

No..... .....
Shares of Stock deposited

CERTIFICATE OF DEPOSIT

FOR

DEEP ROCK OIL CORPORATION
(Formerly Shaffer Oil and Refining Company)
$7 CUMULATIVE CONVERTIBLE PREFERRED STOCK.

This Certifies That.....
(or his predecessor in interest) has deposited with The First National Bank of Chicago, as Depositary (hereinafter called the "Depositary"), ...
shares of $7 Cumulative Convertible Preferred Stock, without par value (hereinafter sometimes called the "Stock") issued by Deep Rock Oil Corporation (formerly Shaffer Oil and Refining Company), a Delaware corporation.

Said Stock is deposited and this certificate is issued under and pursuant to the terms and conditions of a certain Deposit Agreement, dated as of August 9, 1934 and as amended November 10, 1936 and executed by John J. Shinners, Newton P. Frye, Robert F. Holden, John H. Mason, Grayson M.-P. Murphy and Albert J. Robertson, as a Committee, a copy of which is on file in the principal office of the Depositary. The holder and each transferee of this certificate shall be deemed to be a Depositor under and a party to said Deposit Agreement and as such shall be entitled to the same rights and privileges and in every way be as fully bound by and subject to said Deposit Agreement as though he had signed the same. By becoming a Depositor under and a party to said Deposit Agreement and by accepting this certificate, the holder hereof shall be deemed to have assented to and accepted a certain amended Plan of Reorganization which was proposed by Deep Rock Oil Corporation on August 20, 1934

in the United States District Court for the Northern District of Oklahoma, pursuant to the provisions of Section 77B of the Bankruptcy Act of the United States, and amended by the filing by said Corporation with said Court, of Amendments and Modifications on November 9, 1936; a copy of which Amended Plan is on file in the principal office of the Depositary.

Each holder of this certificate by acceptance hereof shall be deemed to consent and agree that the delivery by any bearer of this certificate properly endorsed in blank shall vest title hereto, and all rights and interests represented hereby, in the transferee to the same extent and for all purposes as would delivery under like circumstances of a negotiable instrument payable to bearer; provided, however, that the Depositary and the Committee acting under said Deposit Agreement may treat the holder of record of this certificate (or, when presented properly endorsed in blank, the bearer hereof) as the absolute owner hereof for all purposes, and shall not be affected by any notice to the contrary.

This certificate and the interests represented hereby are transferable, subject to the terms and conditions of said Deposit Agreement, on the books of the Committee acting under said Deposit Agreement by the holder hereof in person or by his duly authorized attorney, upon surrender of this certificate properly endorsed and accompanied by transfer stamps required by law, at the principal office of the Depositary in Chicago, Illinois, and the Committee acting under said Deposit Agreement and the Depositary shall not be bound to take notice of or be affected by any trust or agreement respecting the ownership of this certificate or the stock represented hereby and referred to herein.

This is a certificate of the Committee acting under said Deposit Agreement and the Depositary in issuing the same is acting in a ministerial capacity, solely as the agent for said Committee.

THE FIRST NATIONAL BANK OF CHICAGO,
As Depositary.

By.....,
Assistant Secretary.

Dated, Chicago, Illinois.....

NOTES:

Appropriate changes will be made in Certificates to be issued by a sub-depositary.

The back of the foregoing certificate will be substantially the same as the back of the certificate set forth in Exhibit A.

Committee's Exhibit 2.

Reorganization of Deep Rock Oil Corporation

(Formerly Named Shaffer Oil and Refining Company)

Contents:

1. Explanatory Letter to Security Holders and Creditors, Pages 1 to 27.

2. Plan of Reorganization in Detail, Pages 27 to 56.

3. Deposit Agreement, dated August 9, 1934, Pages 57 to 88.

Reorganization Committee:

John J. Shinners, Chairman,
Newton P. Frye,
Robert F. Holden,
John H. Mason,
Grayson M.-P. Murphy,
Albert J. Robertson.

Depositary:
The First National Bank of Chicago,
38 South Dearborn Street,
Chicago, Illinois.

Secretary:
R. Miles Warner,
Room 1100—231 So. La Salle St.,
Chicago, Illinois.

Sub-Depositary:
The Chase National Bank of the City of New York,
11 Broad Street,
New York, New York.

Counsel:
Cutting, Moore & Sidley,
11 So. La Salle Street,
Chicago, Illinois.

To the Holders of the 6% Convertible Gold Notes, due March 1, 1933, and 7% Convertible Gold Notes, due March 1, 1937, and $7 Cumulative Convertible Preferred Stock and Creditors of Deep Rock Oil Corporation (formerly Shaffer Oil and Refining Company):

Announcement of Reorganization Plan.

In our letters of April 25, 1933, you were advised of the creation of this Committee for the purpose of formulating a Plan of Reorganization for Deep Rock Oil Corporation (hereinafter referred to as the "Corporation"). After months of intensive study of the Corporation's affairs, aided by counsel for the Committee, independent accountants and

the Receivers appointed by the United States District Court for the Northern District of Oklahoma (hereinafter referred to as the Oklahoma District Court), a plan of reorganization was prepared by the Committee. The plan, however, was not presented to creditors and security holders because the enactment of pending Federal legislation would greatly facilitate a reorganization of the Corporation and alter the procedure to be followed in connection therewith. On June 7, 1934, the legislation referred to was approved by the President of the United States and became effective as an amendment to the Bankruptcy Act. Thereupon, the Corporation, pursuant to the provisions of the new Act, filed an answer to a bankruptcy petition pending in the Oklahoma District Court and that court appointed H. N. Greis as Trustee for the Corporation, superseding the previous appointment of receivers in the various jurisdictions in which the Corporation operates. The Corporation, on August 20, 1934, in accordance with the provisions of the new Act, proposed a plan of reorganization, a copy of which is annexed hereto. The Plan proposed by the Corporation is substantially the same as the plan which the Committee had theretofore formulated after its months of intensive study. In our opinion it is fair and equitable to all interested parties and it is recommended to you for your acceptance.

The Committee has intervened in the proceedings in the Oklahoma District Court and the announcement of the Plan by the Committee and the terms and conditions of securing assents to and acceptances of the Plan by obtaining deposits and issuing certificates of deposit under the Deposit Agreement attached hereto have been approved by said court and will be performed under the supervision thereof.

When the Plan has been accepted by the creditors holding two-thirds in amount of the claims of each class affected by the Plan and by stockholders holding a majority of the stock of each class, it will be presented to the Oklahoma District Court for confirmation. The new Act of Congress provides, among other things, that when a plan, so accepted, is confirmed by the court it will become binding upon all creditors and stockholders, including those who do not accept it. The security holders of the Corporation may accept the Plan by depositing their securities with the Committee in the manner hereinafter described. By doing so promptly, it should be possible to present the Plan for confirmation to the Okla-

homa District Court and thus effect a reorganization without further delays.

Present Capitalization and Indebtedness.

On February 28, 1933, the time of the original receivership in the Oklahoma State Court before removal to the Oklahoma District Court, the outstanding capitalization and major indebtedness of the Corporation, as reflected by its books, were approximately as follows:

6% Convertible Gold Notes (unsecured) originally due March 1, 1933:		
Extended to March 1, 1937, at 7%.....	$7,819,500.00	
Not extended.....	2,180,500.00	
		$10,000,000.00*
Secured notes, payable serially,	$ 34,388.80	
and Assumed indebtedness of former subsidiary	3,365.35	
		37,754.15
Open account indebtedness to Standard Gas & Electric Company (unsecured).....		9,342,642.37
Miscellaneous current indebtedness (approximately)		880,488.00**
$7 Cumulative Convertible Preferred Stock without par value (cumulative dividends unpaid $758,333.33)		50,000 shares
Common Stock without par value (579,132 shares owned by Standard Gas & Electric Company)..		599,475 shares

*The Corporation's books on February 28, 1933, showed as a liability the $300,000.00 accrued semi-annual interest due March 1, 1933, on the Convertible Gold Notes. This amount, which is not included above, was on deposit with the Trustee on March 1, 1933, from funds theretofore provided by the Corporation.

**Exclusive of Reserve of $219,681 for liabilities.

In connection with the foregoing statement of major indebtedness, the following comments are made:

(1) There are not included in the foregoing, certain obligations of the Corporation (other than for rental accrued to February 28, 1933) under a lease, dated October 1, 1930 (terminable on 30 days' notice) whereby Deep Rock Oil and Refining Company, a wholly owned subsidiary of Standard Gas and Electric Company (hereinafter referred to as "Standard"), leased certain oil properties and a cracking plant to the Corporation. The Corporation's liability under this lease as well as title to the properties included therein are in dispute in connection with the claim of Standard to which claim reference is hereinafter made in more detail. Under the Plan of Reorganization these properties (or the Company directly owning such properties) will be wholly owned by the new company.

(2) The foregoing does not include the capitalization or indebtedness of subsidiary companies. Subsidiary indebtedness other than current obligations and debts due to the Corporation consists of profit participating certificates and certificates of indebtedness payable over periods, of which not more than $140,000 were outstanding on February 28, 1933. Attached as Appendix I to this letter is a list of the Corporation's subsidiary companies, together with a statement regarding the Corporation's investment in such companies.

(3) The foregoing does not include contingent liabilities, largely relating to income taxes and obligations in connection therewith which are more fully explained in paragraph 4 of the Plan.

(4) As more fully explained in paragraph 2 of the Plan, the open account indebtedness to Standard as shown in the above table has been contested and the amount is still undetermined. The Committee has made an independent investigation thereof, in order to ascertain a proper basis for Standard's participation in the Plan, all as more fully hereinafter explained.

(5) The miscellaneous indebtedness of the Corporation of approximately $880,488, which consists largely of current trade obligations, has been adjusted or satisfied by payment pursuant to court orders, so that as of February 28, 1934, this indebtedness amounted to approximately $153,000.

Brief Outline of Plan.

The Plan of Reorganization must be read in its entirety to learn its exact terms. It provides in substance for the formation of a new company and the issuance of its securities on the following basis:

Table of Distribution.

A. Summary.

EXISTING SECURITIES AND INDEBTEDNESS			NEW SECURITIES		
TYPE OF SECURITY OR DEBT	OUTSTANDING FEB. 28, 1933		INCOME DEBENTURES	$7 CUMULATIVE PREFERRED STOCK	COMMON STOCK
Convertible Gold Notes	$10,000.00	→	$10,000,000	None	80,000 Shares
Indebtedness to Standard Gas and Electric Company	$9,342,642.37 See Note 1 Below	→	None	25,000 Shares	390,000 Shares
Miscellaneous and Contingent Claims	See Note 2 Below	.....	See Note 2 Below	.....	See Note 2 Below
$7 Cumulative Convertible Preferred Stock	50,000 Shares	→	None	None	50,000 Shares
Common Stock	599,475 Shares	.....	None	None	None

B. Basis of Distribution. To Individual Security Holders.

For Each $500 Principal Amount of Convertible Gold Notes	→	$500	None	4 Shares
For Standard Gas and Electric Company	→	None	25,000 Shares	390,000 Shares
For Each Share of $7 Cumulative Convertible Preferred Stock	→	None	None	1 Share

NOTES: (1) The amount of the claim of Standard shown above is taken from the books of the Corporation. As herein explained, a determination of the amount of the claim is still pending. The foregoing allotment under the Plan to Standard is made (a) in satisfaction of its entire claim against the Corporation and (b) in consideration of its transfer to the new company of all interest, whether stock or indebtedness, in Deep Rock Oil & Refining Company, so that the new company will be the sole owner of the Refining Company.

(2) The miscellaneous debts, the expenses of reorganization, the receivership obligations not otherwise discharged, the contingent liability of the Corporation to the Federal Government for income taxes, and certain other debts, expenses and liabilities referred to in the Plan, will be assumed by the new company. Other contingent liabilities referred to in paragraph 4 (b) of the Plan will be assumed by the new company, but payable only in new Income Debentures. Other creditors whose claims are not assumed by the new company or otherwise adjusted, will be entitled to share in the Plan on the same basis as the Convertible Gold Notes.

A complete consummation of the Plan will result in the assumption by the new company of certain obligations referred to in Note 2 appearing below the preceding table, and the issuance by the new company of securities approximately as follows:

15 year 6% Cumulative Income Sinking Fund Debentures	$10,000,000*
$7 Cumulative Preferred Stock (without par value)	25,000 shares
Common Stock (without par value)	520,000 shares*

*Subject to be increased to meet the requirements of paragraphs 8(c) and 8(e) of the Plan.

It will be noted that no provision under the Plan is made for the Common Stock. The Standard claim has been allotted a position in the reorganization based upon the theory that Standard can justify its claim in a substantial manner. Before reaching any conclusions with respect to the Standard claim, the Committee and its counsel made an independent detailed study and analysis of the transactions and accounts between the Corporation and Standard covering the period from the organization of the Corporation to the date of receivership. Based on this investigation, the Committee believes that Standard could justify and support a claim for approximately $7,300,000. Because of the existence of certain covenants in the Indenture under which the Convertible Gold Notes were issued, a question may be presented as to whether the entire amount, as allowed on the Standard claim, should rank on a parity with the Convertible Gold Notes. In this connection it should be noted that the terms of the Plan provide for a subordination of the entire claim of Standard to the Income Debentures to be issued to the holders of Convertible Gold Notes, as Standard has consented to take only preferred and common stock for its claim, whereas the holders of Convertible Gold Notes will receive a prior security for the full principal amount of their notes and in addition approximately 15% of the new common stock. Furthermore, the Plan provides that Standard shall cancel all indebtedness owing to it by Deep Rock Oil and Refining Company and transfer all of the capital stock of that company to the new company thus making it unnecessary for the new company to make future rental payments with respect to the properties heretofore leased from the Refining Company. In view of the foregoing, in the judgment of the Committee, the final determination of the claim of Standard will not affect the fairness of the Plan provided the claim is allowed for at least $5,000,000, of which a sub-

stantial portion shall be held to rank on a parity with the Convertible Gold Notes.

However, inasmuch as the Standard claim has not been determined by the court, the Plan provides that the holders of Convertible Gold Notes assenting to the Plan before such determination, shall be given an opportunity to consider the fairness of the Plan in the light of the actual determination. Therefore upon determination of the claim of Standard by the Oklahoma District Court, notice of the terms of such determination will be given to those who have theretofore deposited Convertible Gold Notes with the Committee and such depositors will be given an opportunity to reconsider the Plan and to withdraw their deposited Notes without expense, as more fully provided in the Deposit Agreement annexed to the Plan, if they so desire.

Under the Plan holders of Convertible Gold Notes will receive an equivalent principal amount of the Income Debentures of the new company, such debentures (except for the existing $34,388.80 of secured notes payable and the contingencies provided for in paragraphs 8(c) and 8(e) of the plan) to constitute the new company's only funded debt to be issued in connection with the reorganization. In addition they will receive, as a class, approximately 15% of the new Common Stock. Standard, in full satisfaction of all indebtedness which may be determined to be owing to it by the Corporation and by Deep Rock Oil and Refining Company, and in consideration of the transfer to the new company of the entire capital stock of Deep Rock Oil and Refining Company, will receive 25,000 shares of $7 Cumulative Preferred Stock and approximately 75% of the Common Stock of the new company. Holders of the present $7 Cumulative Convertible Preferred Stock of the Corporation will receive shares of the new Common Stock equal in number to the Preferred shares now held, totaling, for such holders as a class, approximately 10% of the new Common Stock to be issued.

The new Income Debentures will be limited to $10,000,000 in principal amount (subject to be increased to the extent required by paragraphs 8(c) and 8(e) of the Plan) and will constitute a direct obligation of the new company. They will be dated as of the approximate date of the consummation of the Plan, will be due fifteen years after their date and will bear

cumulative interest at the rate of 6% from their date. Accumulations of interest will not bear interest.

Interest on the Income Debentures will be payable semiannually out of available net income, to be computed in the manner prescribed in paragraph 7(a) of the Plan. No attempt is made in this letter to set forth the method of computation because it is necessarily detailed and is fully set forth in the Plan. The computation is based upon the fundamental principal that it would not be to the best interests of the new company or the holders of the Income Debentures to require the payment of interest on the Income Debentures at a time when payment thereof would jeopardize the general financial condition of the new company by impairment of working capital or otherwise.

Therefore, it is provided that the net income for the current income period (being the current six months ending June 30th or the current twelve months ending December 31st) shall first be computed, after providing for operating, selling, administrative and other expenses, including depreciation, depletion, abandonments, amortization and other items enumerated. If there is no net income for the current income period, no interest need be paid on the following interest date. If there is net income for the current income period, a computation of net income shall then be made for the entire period from the date of the Income Debentures to the beginning of the current income period. In making such computation of net income for such entire period, besides making deductions of the character to be made in determining the net income for the current income period, there shall also be deducted from the income for such entire period certain other items, including the interest paid on the Income Debentures and all dividends (except stock dividends) paid and all amounts paid into the sinking fund for the Income Debentures during said entire period as a result of common stock dividends paid. If the deductions from income exceed the income for said entire period, the amount of such excess shall be deducted from the net income for the current income period and the balance, if any, remaining shall constitute the available net income and be payable as interest on the Income Debentures.

In considering the method prescribed in the Plan for the computation of available net income, it will be noted that the Plan also provides that no dividends may be paid upon any

class of stock of the new company as long as any back accumulated interest on the Income Debentures remains unpaid nor, as long as any Income Debentures are outstanding, from any funds except earned surplus as defined in paragraph 7(a) of the Plan. In addition it will be noted that the Plan provides that whenever dividends (other than stock dividends) are paid upon the common stock of the new company an amount equal to two-thirds of the amount of such dividend shall be paid into a sinking fund for the Income Debentures.

The Plan provides for a "depreciation base" for the purpose of determining depreciation, depletion and such other similar charges with respect to the fixed assets to be acquired by the new company. This "depreciation base" is explained in Schedule A annexed to the Plan and in general is limited by the amount of new securities to be issued under the Plan.

The new Preferred Stock, before dividends can be paid on the Common Stock, will be entitled to receive dividends, when declared by the Board of Directors, at the rate of $7 per share per annum, such dividends to be cumulative after one year from the date of the Income Debentures. Like the new Common Stock, the new Preferred Stock will entitle the holder to one vote for each share held.

For additional details regarding the new securities, reference is made to the Plan.

Property and Operations of the Corporation.

The following six paragraphs were furnished to the Committee under date of April 13, 1934, by the receivers appointed by the Oklahoma District Court.

The Corporation was incorporated in the State of Delaware on May 31, 1919, under the name of Shaffer Oil and Refining Company. Its name was changed to Deep Rock Oil Corporation in 1930. It is a balanced, self-contained unit of the petroleum industry, embracing fully within its own organzation complete properties and facilities for the producing, refining, transporting and marketing of its products. The Corporation manufactures Kant Nock Gasoline and the Deep Rock line of aviation and motor gasolines, naphthas, solvents, kerosene, lubricating oils, cylinder stocks and heating oils.

The Corporation, as of December 31, 1933, owned or controlled oil leases covering 130,703 acres of oil lands located principally in the States of Oklahoma, Kansas, Texas and

Arkansas, of which 9,947 acres are developed. As of December 31, 1933, 469 producing oil wells and 46 gas wells were in operation. The daily average production during the month of January, 1934, under proration, was in excess of 5,000 barrels. The Corporation owns and operates three casinghead gasoline plants.

Through its own pipe line and gathering system, totaling more than 400 miles, the Corporation gathers and transports all of the crude oil which it refines.

The refinery has a daily capacity of 10,000 barrels of crude oil and is located at Cushing, Oklahoma, in the heart of the Mid-Continent field. It is a completely equipped plant and includes paraffin wax, zero bright stock and lubricating oil equipment. The Corporation operated under lease from Deep Rock Oil and Refining Company a modern 4,000 barrel daily capacity cracking plant.

The Corporation on December 31, 1933, had in operation a fleet of 642 tank cars, 591 of which are owned by the Corporation and 51 leased. The Missouri-Kansas-Texas and Atchison, Topeka & Santa Fe railroads, adjacent to the refinery site, serve the Corporation's extensive loading racks and tracks.

The Corporation, directly or through subsidiaries, has retail distributing facilities through which its products are marketed. The principal marketing territory includes the States of Wisconsin, Illinois, Iowa, Nebraska, Minnesota, Oklahoma, North Dakota, South Dakota, Indiana, Missouri, Arkansas, and Michigan.

Financial Data.

Attached to this letter as Appendix II is a statement of the consolidated gross earnings and operating expenses of the Corporation and its subsidiaries, with supplementary explanations, for the years 1930 to 1933, inclusive, and for the first twelve months of the receivership.

The report, on the financial position of the receivership, including ancillary receiverships, as of December 31, 1933, rendered by the receivers appointed by the Oklahoma District Court shows as follows. This report disregards all indebtedness of the Corporation, including contingent indebtedness, existing at the date of the receivership, February 28, 1933, and undischarged by the receivers as of December 31, 1933,

and accrued interest thereon. The report, however, includes receivables of the Corporation (other than obligations owing by subsidiaries and Deep Rock Oil and Refining Company except as noted) as of the date of receivership and uncollected as of December 31, 1933.

Cash		$ 755,456.98	
Accounts, Notes and Warrants Receivable:			
Notes and Warrants Receivable	$ 81,585.94		
Accounts Receivable	1,414,712.48		
Due from Deep Rock Oil Corp. of Neb. for Current Purchases	10,915.65		
	$1,507,214.07		
Less Reserve*	416,616.28	1,090,597.79	
Inventories**			
Crude Oil, Refined Products and Supplies		2,836,999.18	
Other Current Assets:			
Advances to Agents		24,154.54	$4,707,208.49
Less:			
Receivers' Notes and Accounts Payable	786,011.35		
Accrual for Taxes	73,026.74		859,038.09
			$3,848,170.40

*Bad Debt Reserve of $416,616.28 does not include provision for possible Bad Debt Losses originating from business transacted in certain Ancillary Receivership Jurisdictions subsequent to Receivership for which additional reserve, not to exceed $50,000.00, it is considered would be reasonable.

**Crude Oil Inventory priced at Posted Market Price December 31, 1933 plus transportation costs.

Refined Products at Refinery priced at cost based on Posted Market Price of Crude Oil at December 31, 1933 or at Market Price of such refined product whichever is lower. Refined Products at Distributing Stations if purchased from others has been priced at cost; if shipped from our Refinery, at Wholesale Market Price at date of shipment plus transportation and other costs. Supplies at the lower of cost or the Receivers' Valuation.

NOTE: The foregoing is exclusive of any rental which may be allowed by the court to Deep Rock Oil and Refining Company for the period of operation by the Receivers; the determination of whether this rental will become payable has been deferred pending an adjudication as to whether the properties covered by the lease are actually owned by Deep Rock Oil Corporation or by Deep Rock Oil and Refining Company, a matter as to which the trustee has asked the instructions of the Oklahoma District Court.

It is hoped that the operations between December 31, 1933 and the date of the consummation of the Plan will substantially increase this balance of $3,848,170.40, and that this balance on the date of consummation of the Plan will be sufficient to provide for (a) the unpaid receivers' and trustee's expenses, (b) the costs and expenses incident to the reorganization and the consummation of the Plan, and (c) the other obligations and contingent obligations of the Corporation which will be assumed by the new company (not having been discharged by the Receivers or by the issue of securi-

ties under the Plan) and that a margin sufficient for working capital will be left.

The Committee, in considering the Plan, has given primary consideration to earning power rather than property values. Whatever dollar and cent value may be attributed upon consummation of the Plan to such properties they, together with the then available net current assets, will represent the asset value applicable to the securities of the new company to be issued and the indebtedness to be assumed as provided by the Plan.

Advantages of the Plan.

An examination of the earnings figures set forth in Appendix II to this letter reveals the necessity of reducing the interest bearing debt and fixed charges of the Corporation. The Plan recognizes this imperative necessity. Under its terms all indebtedness due Standard, aggregating on the books of the Corporation more than $9,000,000, will be eliminated by Standard's acceptance of preferred and common stock of the new company, thus substantially reducing interest requirements. This is not only a safeguard for the new company but also greatly improves the position of the holders of the present Convertible Gold Notes. Where many millions of dollars of additional indebtedness existed at the time of receivership, the new Income Debentures will constitute substantially all of the funded debt of the new company to be issued in connection with the reorganization.

The provision that future interest payments on the new Income Debentures need only be paid from the new company's "available net income", determined as provided in the Plan, is conducive to the sound operation of the business in that it protects working capital and preserves the new company from the possibility of receivership due to earnings proving to be insufficient to pay fixed interest charges. For the protection of the Income Debentures, however, these charges are to be determined by a definite accounting system and a "depreciation base" will be established. Interest on the Income Debentures has been made cumulative at the rate of 6% per annum from their date, so that any deficiencies in interest payments below 6% in any year will become payable at some future date.

The Plan provides that no dividends may be paid by the new company on either its Preferred or Common Stock as long

as any accumulated interest on the Income Debentures remains unpaid and that no class of stock of the new company may be redeemed or purchased as long as any Income Debentures are outstanding. The Plan also provides that, as long as any Income Debentures are outstanding, dividends may only be paid from earned surplus, as defined in paragraph 7(a) of the Plan. Furthermore, when dividends (except stock dividends) are paid on the Common Stock of the new company the Plan provides that there shall be paid into a Sinking Fund for the new Income Debentures an amount equal to 66⅔% of such Common Stock dividends.

Instead of paying cash into the Sinking Fund, the new company will be permitted to surrender Income Debentures for cancellation and receive a Sinking Fund credit in an amount equal to the purchase price paid by it for the acquisition of the Income Debentures so surrendered. It shall be provided, however, that Sinking Fund credits shall not be allowed in an amount greater than the principal amount of the Debentures so surrendered. All cash in the Sinking Fund will be used to purchase or redeem Income Debentures.

As more fully provided in paragraph 7(a) of the Plan, the new company will covenant in the indenture under which the Income Debentures are to be issued (a) that it will not become indebted at any one time to affiliated companies in excess of $1,500,000 unless all such indebtedness in excess of such amount shall be subordinated to the Income Debentures as provided in the Plan and (b) that it will not mortgage property to secure any indebtedness unless the Income Debentures shall be secured by a lien upon such property so to be mortgaged, which lien in favor of the Income Debentures shall be prior to the lien to be afforded such other indebtedness; provided that this restriction shall not apply (1) to purchase money liens created in connection with the acquisition of additional property or existing upon such property, nor to renewals thereof, nor (ii) to the pledge of current assets to secure current indebtedness to others than affiliated companies, nor to renewals thereof.

The Indenture will also contain further provisions designed to protect the Income Debentures, including provisions governing the disposition of the proceeds of the sale of certain fixed assets and provisions protecting the Income Debentures

in case of a consolidation or merger of the new company or a sale of all or substantially all of its assets, all as more fully set forth in paragraph 7(a) of the Plan.

Under the Plan, holders of Convertible Gold Notes retain an obligation for the principal amount of their investment and obtain a share in the future earnings of the new company through ownership of a portion of its Common Stock. In approving the Plan the Noteholders, creditors and Preferred Stockholders will not be required to contribute any new money for expenses. If the Plan is not consummated the deposited securities may be charged only with their pro rata share of the expenses incurred by the Committee in connection with the preparation and promulgation of the Plan, as provided in the Deposit Agreement annexed to the Plan, but such expenses will be submitted to the Oklahoma District Court for approval and will not be charged against the deposited securities if the court shall provide for their payment from other sources.

The Plan, as submitted, gives assurance that the business of the Corporation will be continued on a "going concern" basis without the sacrifice of its properties by forced liquidation under existing conditions.

Deposit of Notes and Preferred Stock.

After a careful consideration this Committee has approved the enclosed Plan on the basis of its many important advantages. In our opinion, it is urgent that the Plan be effected within the shortest possible time. The severe handicap under which receivership and trusteeship places the business of the Corporation in competitive markets should be removed without delay. It is important that the trusteeship be terminated as soon as possible and that the full benefit of the earnings of the new company be obtained for its security holders and creditors.

We recommend that you signify your prompt approval of the Plan by executing the enclosed letter of transmittal in proper form and forwarding it with your Notes or Preferred Stock to the First National Bank of Chicago, Depositary, 38 S. Dearborn Street, Chicago, Illinois or to The Chase National Bank of the City of New York, Sub-Depositary, 11 Broad Street, New York, New York. Deposits must be made on or before October 15, 1934, unless the time for deposit is

extended by the Reorganization Committee or by the Oklahoma District Court.

Convertible Gold Notes registered as to principal must be transferred to bearer before being deposited and all Convertible Gold Notes which have been extended to March 1, 1937, must be accompanied by the appurtenant interest coupons maturing on and after September 1, 1933.

Stock certificates must be properly endorsed in blank for transfer or be accompanied by proper instruments of transfer executed in blank.

Transfer stamps need not be attached unless the Certificate of Deposit is to be issued in a name other than that of the owner of the deposited securities, in which case requisite transfer stamps must be furnished. In case, however, a tax shall be imposed by competent state or federal authority upon the deposit of securities hereunder the depositor shall pay the tax or accompany his deposit with funds therefor.

Depositors will be entitled to receive transferable Certificates of Deposit issued by the Depositary under the Deposit Agreement annexed to the Plan, and by the acceptance of such Certificates of Deposit, the holders thereof and their assigns shall be deemed to have assented to and accepted the Plan and said Deposit Agreement and all the terms and provisions thereof.

Upon consummation of the Plan you will receive prompt notification and full instruction regarding the exchange of such Certificates of Deposit for the securities of the new company.

An explanation of the past and present connections, if any, of the Committee members with the Corporation follows:

Mr. John J. Shinners, Chairman of the Committee is a Vice President of H. M. Byllesby & Company, which is closely affiliated with and jointly with other interests controls Standard. H. M. Byllesby & Company is also the owner of securities of the Corporation including Convertible Gold Notes and $7 Cumulative Convertible Preferred Stock. In the past H. M. Byllesby & Company managed and participated in syndicates which underwrote and sold securities of the Corporation, including its Convertible Gold Notes and $7 Cumulative Convertible Preferred Stock, and also securities of Standard.

In 1932 H. M. Byllesby & Company was employed by the Present Company to endeavor to secure an extension of the Convertible Gold Notes and received compensation on the basis of 4% of the principal amount of notes extended out of which varying amounts of from 2% to 3% were paid to other dealers.

Mr. John H. Mason was formerly Chairman of the Board of Directors of Main Line Trust Company, Ardmore, Pennsylvania, and he is not connected in any way with Standard or H. M. Byllesby & Company. His only connection with the Corporation is that he was formerly president of Bank of North America and Trust Company, which held some securities of the Corporation as an investment.

Mr. Newton P. Frye is President of Central Republic Company, Chicago, Illinois, and was formerly a vice president of Federal Securities Corporation and a vice president of Central Illinois Company. Federal Securities Corporation and Central Illinois Company, in the past, participated in syndicates managed by H. M. Byllesby & Company, which syndicates underwrote and sold securities of the Corporation, including its Convertible Gold Notes and $7 Cumulative Convertible Preferred Stock, and also securities of Standard. Central Republic Company received compensation for services in securing assents of holders of the Convertible Gold Notes of the Corporation under the extension agreement dated April 30, 1932. Central Republic Company, Central Illinois Company and Federal Securities Corporation are not at the present time owners of any securities of the Corporation.

Mr. Albert J. Robertson is a Vice President of the Iowa-DesMoines National Bank and Trust Company, which grew out of a consolidation of Iowa National Bank, DesMoines National Bank and Des Moines Savings Bank and Trust Company. The Des Moines National Bank had an investment affiliate named Des Moines National Company which was not continued after the consolidation. The DesMoines National Company participated in certain syndicates managed by H. M. Byllesby & Company and sold Convertible Gold Notes of the Corporation to its customers. At the present time Iowa-Des-Moines National Bank and Trust Company owns approximately $15,500 principal amount of Convertible Gold Notes of the Corporation. Iowa-Des Moines National Bank and Trust Company is affiliated with Northwest Bancorporation and other

of its member banks may own securities of the Corporation and/or Standard. Iowa-DesMoines Company, now dissolved, formerly an investment affiliate of Iowa-DesMoines National Bank and Trust Company received compensation for services in securing assents of holders of the Convertible Gold Notes of the Corporation under the extension agreement dated April 30, 1932.

Mr. G. M.-P. Murphy is a member of the firm of G. M.-P. Murphy & Co., New York. The only connectiton Mr. Murphy or his firm has had with the Corporation, Standard or H. M. Byllesby & Company is that G. M.-P. Murphy & Co. as from time to time acted as correspondents in New England for H. M. Byllesby & Company. G. M.-P. Murphy & Co. received compensation for services in securing assents of holders of the Convertible Gold Notes of the Corporation under the extension agreement dated April 30, 1932. Neither Mr. Murphy nor his firm has had any connections with H. M. Byllesby & Company or Standard in connection with the distribution of the securities of the Corporation or the securities of Standard.

Mr. Robert F. Holden is Vice President of Janney & Co., Philadelphia, which Company and its predecessors, Montgomery & Co., and Montgomery, Clothier & Tyler, have been associated with H. M. Byllesby & Company in the past in the underwriting and distribution of securities, including the securities of the Corporation and Standard and other subsidiaries of Standard. Janney & Co. received compensation for securing assents of holders of Convertible Gold Notes of the Corporation to the extension agreement dated April 30, 1932.

All expenses of the reorganization, including such allowances as may be made to dealers for their assistance in securing the deposit of securities, will be subject to the approval of the Court. The Committee is advising security dealers that it will make application and recommendation to the Court for an allowance to such dealers of 1% of the principal amount of Notes deposited at their suggestion.

If there is any further information you desire it is suggested that you communicate with the Secretary of the Committee (R. Miles Warner, Room 1100—231 South La Salle Street, Chicago, Illinois), who will give your request prompt attention.

Dated: August 21, 1934.

Very truly yours,

JOHN J. SHINNERS, Chairman,
NEWTON P. FRYE,
ROBERT F. HOLDEN,
JOHN H. MASON,
GRAYSON M.-P. MURPHY,
ALBERT J. ROBERTSON,
Reorganization Committee.

Appendix I.

Subsidiary Companies.

Deep Rock Oil Corporation (herein called the "Corporation"), at February 28, 1933, had the following active subsidiaries which are wholly owned, except in the case noted:

Deep Rock Petroleum Company
Deep Rock Oil Company (of Delaware)
Deep Rock Oil Company of Wisconsin
Southern Illinois Service Stations Company
Ozark Car Corporation
Deep Rock Oil Corporation of Nebraska (Preferred stock owned 69⅔%; Common stock owned 63%)

The total cost of the stock investment in these subsidiaries at February 28, 1933, as reflected by the books of the Corporation, was $852,572.13 while the investment in other securities of certain of these subsidiaries was shown by the books to be $110,308.72. In addition to these amounts, the books showed balances of $1,093,416.83, as of February 28, 1933, due by the subsidiaries to the Corporation, which amount included a $33,376.95 obligation of Deep Rock Oil Corporation of Nebraska paid subsequent to February 28, 1933. Although the records of the Corporation show that the total investments and balances due amounted to $2,056,297.68, the books of the subsidiary companies, after eliminating intangibles, reflect an aggregate net worth applicable to such investments and balances of only $1,280,097.15. It would appear from the foregoing that the total of the above investments and advances should be considered in the light of the net worth as set forth above which should be discounted because such net worth is predicated on book values accumulated during periods of high costs and because such book values include physical property values

which in recent years have not been reduced through annual provisions for depreciation.

The current indebtedness of subsidiary companies excluding obligations to the Corporation, amounts to $65,591.00. The Deep Rock Oil Company of Wisconsin and the Southern Illinois Service Stations Company have outstanding certain profit participating certificates and certificates of indebtedness calling for payments from time to time of which a major portion as of February 28, 1933 had been acquired by the Corporation. The total liability on such participating certificates and certificates of indebtedness held by others than the Corporation, did not exceed $140,000 on February 28, 1933. Unpaid cumulative dividends on the 7% Cumulative Preferred Stock of the Deep Rock Oil Corporation of Nebraska amounted to $60,121.75 at February 28, 1933; there is a minority interest of 30⅓% in this sum owned by others, the remaining interest being owned by the Corporation.

Appendix II.

Statement of Consolidated Gross Earnings and Operating Expenses (With Supplementary Explanation) of Deep Rock Oil Corporation and Its Subsidiaries.

	Gross Earnings**	†Operating Expenses after Adjustments and before Charges as Described Below
Year 1930*	$18,629,627.80	$15,778,519.92
Year 1931	13,541,489.80	11,833,734.17
Year 1932	13,285,225.70	11,500,538.73
Year 1933	10,362,544.09	8,932,672.57

*The 1930 figures exclude the operations of Deep Rock Oil Company (Delaware), a subsidiary, not then consolidated.

**Other income included as follows: 1930—$46,000.05; 1931—$75,178.51; 1932—$114,717.33; 1933—undetermined amount included in gross earnings.

†On the basis of the audits for the years 1931 and 1932 additional reserves for bad debts amounting cumulatively to $113,000 were proposed. Such proposed additional reserves are not included above.

For the first twelve months of the receivership (March 1, 1933, to February 28, 1934), the receivers reported that gross earnings from operations of the properties of Deep Rock Oil Corporation (herein called the "Corporation") and its subsidiaries were $10,786,803.83, and that the operating expenses (after making adjustments and before making the charges referred to below) were $8,897,780.27.

All of the above figures disregard the minority interest

outstanding in Deep Rock Oil Corporation of Nebraska, a subsidiary.

The figures for the years 1930, 1931 and 1932 are based upon the reports on the accounts of the Corporation and its subsidiaries made by Peat, Marwick Mitchell & Co., adjusted as hereinafter set forth. The figures for the year 1933 and for the twelve months ending February 28, 1934 in respect of subsidiaries are based upon the records of the subsidiaries and, in respect of the Corporation, are based upon the records of the Corporation for January and February 1933 and upon the records of the receivers for the period subsequent to February 28, 1933, all similarly adjusted. All of these figures are presented and should be considered solely for the purpose of indicating in general the gross earning capacity of the Corporation and its subsidiaries and the operating expenses for the periods referred to after the adjustments and before the charges enumerated below.

The operating expenses shown above are after eliminating charges for rental of properties of Deep Rock Oil and Refining Company and proprietary company supervision charges and are before making any provision for the following: (a) interest charges, (b) depletion and depreciation, (c) amortization of non-productive leaseholds and amortization of debt discount and expense, (d) cost of dry holes drilled, (e) property abandonments and (f) oil and gas lease rentals.

The charges for rental of properties of Deep Rock Oil and Refining Company and the proprietary company supervision charges have been eliminated from the operating expenses shown above because they are expenses the new company will not be subjected to under the Plan of Reorganization. Prior unsatisfied rental and supervision charges constitute a part of the claim of Standard Gas and Electric Company.

The Committee is not in a position to forecast with any accuracy the aggregate charges which will be made against the income of the new company for interest, depletion and depreciation, amortization, dry holes, abandonments and oil and gas lease rentals in determining "available net income". As is noted in paragraph 7 of the Plan and in schedules A and B annexed thereto, in computing "available net income," the Income Debenture Indenture will establish definite methods to be employed for the purpose of determining such of these items as are not self-determining, and will require the use

of a "depreciation base", which will be approximately one-third of the book values now caried on the books of the Corporation. For your general information, the comments below are submitted. In the comments where the particular charges in the future would not be largely determined by the special required methods of accounting to be set up in the Indenture, the actual charges to the extent available are given for the periods as to which gross earnings and operating expenses have been stated above:

(a) Interest charges:

Interest on the Income Debentures to be issued under the Plan is, of course, not noted, because such interest will be required to be paid only out of the "available net income" which will be determined as provided in paragraph 7 of the Plan after deducting the other items referred to above.

Interest on interest bearing obligations to be assumed by the new company upon reorganization and interest on interest bearing outstanding indebtedness of subsidiaries, as well as interest on any additional moneys borrowed by the new company or its subsidiaries from time to time, will be deducted in determining "available net income."

(b) Depletion and Depreciation:

Based upon production for the twelve months ended February 28, 1934, as reported by the receivers appointed by the Oklahoma District Court and upon the "depreciation base" above referred to, without specific allocation of values, and assuming estimated oil reserves of 12,302,234.15 barrels and applying in substance the principles required in the proposed Income Debenture Indenture, the depreciation and depletion charge has been estimated to be approximately $1,384,000 for that period. It is not to be assumed that this amount will govern in subsequent periods, as the production of each period is largely determinative of the depletion charge.

(c) Amortization of non-productive leaseholds and Debt Discount and Expense:

Under the requirements of the proposed Income Debenture Indenture non-productive leaseholds are to be amortized over the periods of the leases. The receivers appointed by the Oklahoma District Court have allocated to the non-productive leases, which have not been developed to production and which

are now included in the receivership assets, approximately $452,000 of the total "depreciation base." The Committee is advised that the average life of such leaseholds is estimated at four years. Applying the principles to be employed under the new Income Debenture Indenture this would require an annual amortization provision on an average basis of approximately $113,000, unless, of course, such leaseholds become productive, in which event they will be depleted on a production basis. The acquisition of additional leaseholds in the future by the new company may, of course, modify this figure.

The securities to be issued by the new company, it is proposed, will be issued under the Plan without discount, so that for such securities there will be no amortization of debt discount. The new company may, however, desire to amortize the costs and expenses incident to reorganization and the consummation of the Plan, in which event some charge unascertainable at this time will result.

(d) Cost of Dry Holes Drilled:

The records for the above mentioned periods show that the costs of dry holes drilled (including dry hole contributions to other companies), charged to reserves, were as follows: 1930, $671,719.72; 1931, $170,484.18; 1932, $36,109.22, and 1933, $30,241.97. The Committee is advised that during 1931 to 1933 inclusive drilling and production were curtailed due to the general depression and controlled production by proration. There is, of course, an inherent relation between drilling operations, in connection with which a certain percentage of dry holes is inevitable, and the development of production. The Committee is further advised that as a general rule, subject to the hazards of oil finding, the drilling of new wells is accompanied by additions to oil reserves available for production.

(e) Property Abandonments.

The Committee is advised that the charges for abandonments (including losses on sales of developed and producting leases and abandonments of non-productive leaseholds and previously producing gas and oil properties and other property abandonments), as reflected on the books of the Corporation and subsidiaries and on the records of the receivers, totaled $6,418,960.52 for the years 1930 to 1933 inclusive

and that of this amount $544,246.19 is applicable to properties leased from Deep Rock Oil and Refining Company. The Committee is also advised, and it should be borne in mind in considering this figure, that it represents the gross book value of the properties abandoned or sold, exclusive of any accrued depreciation, depletion or amortization applicable thereto.

For the purpose of determining "available net income" under the provisions of the Income Debenture Indenture, abandonment charges will be computed upon the "depreciation base" after deducting all accrued depreciation, depletion and amortization theretofore taken with respect to the abandoned property.

The receivers appointed by the Oklahoma District Court have advised the Committee that the abandonment of properties reflected by the charges for the years 1930 to 1933 represents a sound weeding out of properties no longer desirable, which should be favorable to future operations.

(f) Oil and Gas Lease Rentals.

Based upon oil and gas leases now in force after the abandonments above referred to, the oil and gas lease rentals as reported from the books of the receivers appointed by the Oklahoma District Court amounted to approximately $78,000 for the twelve months ended February 28, 1934. Additional oil and gas leases which may be acquired by the new company in the future will, of course, vary this figure. The amount of such rents for the periods in question in the past has been reported to the Committee approximately as follows: 1930, $168,431; 1931, $142,007; 1932, $110,303; 1933, $81,464; year ended February 28, 1934 $77,280.

Plan of Reorganization for Deep Rock Oil Corporation.

Present Company.

1. Outstanding Securities. The outstanding securities of Deep Rock Oil Corporation (formerly Shaffer Oil and Refining Company and hereinafter referred to as the "Present Company"), as of March 2, 1933, the date upon which receivers were appointed by the United States District Court for the Northern District of Oklahoma (hereinafter referred as the Oklahoma District Court) were shown by the books of the Present Company as follows:

Description		Outstanding
Six Per Cent Convertible Gold Notes, dated March 1, 1928, originally due March 1, 1933:		
(a) Extended to March 1, 1937 at 7%	$7,819,500	
(b) Not extended	2,180,500	
		$10,000,000
Interest on all the above notes has been paid to March 1, 1933.		
Secured Notes, payable serially and	$34,388.80	
Assumed indebtedness of former subsidiary	3,365.35	
		37,754.15
$7 Cumulative Convertible Preferred Stock without par value		50,000 shares
Common Stock without par value		599,475 shares.

The above excludes securities of subsidiary companies.

2. Indebtedness due Standard Gas and Electric Company. The Present Company is indebted on open account to Standard Gas and Electric Company (hereinafter referred to as "Standard"), which owns 579,132 shares of the Common Stock and 969 shares of the $7 Cumulative Convertible Preferred Stock of the Present Company. The amount of this indebtedness was shown on the books of the Present Company, as of February 28, 1933, as $9,342,642.37. The amount of this indebtedness has been attacked in the Oklahoma District Court and the determination of the amount of the claim is still pending.

The present claim of Standard, which stands on the books at $9,342,642.37, has (with the exception of approximately $500,000) accrued since April 12, 1928. The claim consists principally of cash advanced by Standard, dividends declared and credited to Standard as a holder of Preferred and Common Stock of the Present Company, management fees paid by Standard to Byllesby Engineering and Management Corporation and charged to the Present Company, charges to

the Present Company for rental of properties owned by Deep Rock Oil and Refining Company (hereinafter called the "Refining Company"), a subsidiary of Standard, and interest charged on the open account with Standard.

The objections to the claim relate to practically all of the items enumerated.

Besides dealing with the claim of Standard on open account, as such—the Plan provides that upon its consummation and after final allowance of the Standard claim, Standard shall cancel all indebtedness owed to it by the Refining Company or transfer such indebtedness to the New Company, and transfer to the New Company all of the Capital Stock of the Refining Company.

The Plan has been prepared upon the theory that Standard will establish a valid claim for at least $5,000,000, of which a substantial portion shall be held to rank equally with the Convertible Gold Notes. As the Standard claim has not been determined by the court, the holders of Convertible Gold Notes who accept the Plan before such determination will be given an opportunity to consider the fairness of the Plan in the light of the actual determination. Therefore, upon determination by the court of the claim of Standard, notice will be given of the terms of such determination to such assenting holders of Convertible Gold Notes who will be given an opportunity to reconsider the Plan and to withdraw their assents without expense if they desire to do so.

3. Miscellaneous Indebtedness. In addition to the foregoing, the accrued liabilities and general accounts payable of the Present Company on February 28, 1933, aggregated approximately $880,488 (exclusive of reserves of $219,681 for liabilities) which includes the amount then owed for taxes other than Federal income taxes and which, on February 28, 1934 had been adjusted or satisfied by payment pursuant to court orders to approximately $153,000. The Present Company at the time of receivership had outstanding approximately $34,388 of secured notes and there were outstanding $3,365.35 of debenture bonds of a former subsidiary company which the Present Company assumed. Subsidiary indebtedness other than current obligations and debts due to the Present Company consists of profit participating certificates and certificates of indebtedness of certain subsidiaries payable

over periods of which at February 28, 1933, not more than $140,000 was outstanding.

4. Contingent Liabilities.

(a) Income Taxes to Federal Government. The Federal income tax authorities are asserting deficiencies against the Present Company aggregating $1,198,795.94, exclusive of interest, for the years 1919, 1920 and 1921, and $1,218,178.13 exclusive of interest from January 1, 1924 to March 31, 1928. These taxes and interest are contingent upon final determination of allowances for depletion and depreciation and losses through abandonment of properties claimed by the Present Company which claims have been disallowed by the income tax authorities in computing the amount of taxes assessed. Additional proof is being furnished to substantiate the Present Company's claims. The pending proceedings for the years 1919, 1920 and 1921 are being handled for the Present Company by Messrs. Charles D. Hamel and Lee I. Park, of Washington, D. C., and Benjamin Robin, of Chicago, Illinois, under a contract with H. N. Greis and E. H. Moore as Receivers of the Present Company, by appointment of the District Court of the United States for the Northern District of the state of Oklahoma, and H. N. Greis and Bernard L. Majewski, as Ancillary Receivers of the Present Company, by appointment of the District Court of the United States for the Northern District of Illinois. The fees provided for in said contract are payable only out of refunds. The contract also provides that it "shall inure to the benefit of and be binding upon Deep Rock Oil Corporation when and if it emerges from receivership and/or any successor, person, corporation, or association acquiring, pursuant to a reorganization of said Deep Rock Oil Corporation, the properties of the said corporation and the rights and obligations of said tax claims." The proceedings for the years 1924 to 1928 are being handled by Messrs. Haskins and Sells of Chicago, Illinois.

If any deficiency is finally determined to exist, the additional taxes will constitute a first lien upon the properties of the Present Company or a preferred claim and such additional taxes, if any, must of necessity be assumed by the New Company.

(b) Liability to others than Federal Government with respect to income taxes. The Present Company is also involved in other income tax matters, which might result in a

liability not to the Federal Government but to other parties whose income taxes the Present Company agreed to pay.

In 1919 the Present Company acquired various oil properties and other assets formerly owned or controlled by Messrs. E. E. Smathers and C. B. Shaffer. As part of the consideration to be paid by the Present Company for such property, the Present Company agreed to pay all Federal income taxes that might be assessed against Smathers and Shaffer for the year 1919 upon their profits arising from the transaction. The Present Company paid pursuant to said obligation, an aggregate amount of $1,910,442.02. The Commissioner of Internal Revenue computed a larger profit on the transaction than was claimed and asserted deficiencies accordingly. The Present Company, through Messrs. E. E. Smathers and C. B. Shaffer, asked for a redetermination of the tax and claimed refunds. The matter was appealed to the United States Board of Tax Appeals. A hearing was had before the said Board at Chicago, Illinois, on September 21, 1932, at which time the parties disposed of certain issues by stipulation the effect of which was to limit the aggregate additional tax liability of Shaffer and Smathers for 1919 to $533,187.11, exclusive of interest. The remaining issues between the parties were left for decision by the said Board. On February 28, 1934, the Board promulgated its opinion, the effect of which it is believed will result in a substantial net refund to the Present Company. The Commissioner of Internal Revenue, however, has the right of appeal from said decision to the courts, and it is for that reason impossible to determine just what the final outcome will be.

In the attempt to re-determine the tax liability of Smathers and Shaffer for the year 1919, a compromise by stipulation on the value of the preferred stock of the Present Company acquired by them was entered into between the Government and the taxpayers, which necessarily affected the income tax liability of Smathers and Shaffer in subsequent years. The proper protection of the interests of the Present Company thus adversely affected Smathers and Shaffer, who therefore required H. M. Byllesby & Company (hereinafter called "Byllesby") in its own name to agree to pay Smathers his 1921 and 1922 taxes and to Shaffer his 1921 taxes within certain limits specified. Byllesby made this agreement as the duly authorized agent of the Present Company, and, if called upon to pay, is therefore entitled to claim reimbursement

from the Present Company. The Present Company is advised that (excluding amounts to be paid out of refunds) the liability of Byllesby, pursuant to this agreement cannot (except for a contingency which the Present Company's attorneys believe now to be completely eliminated by the stipulation referred to above and an engineering report prepared by Albert D. Brokaw of New York City and now on file with the Government), exceed $400,000 plus interest on two-thirds of that amount at the rate of 6% per annum from July 1, 1931.

The Present Company will become liable to Byllesby to the same extent, if any, that Byllesby becomes liable to Smathers and Shaffer. In case sufficient refunds on account of the 1919 taxes heretofore paid are allowed, such refunds will be paid to Smathers and Shaffer and the liability of Byllesby to Smathers and Shaffer and the liability of the Present Company to Byllesby will be correspondingly reduced. If the refunds of taxes and interest exceed $650,000.00, the excess, after payment of attorneys' fees, will (except in the event of the remote contingency referred to above) be paid to the Present Company or its successor as the case may be. The proceedings with reference to these tax matters are also being handled by Messrs. Charles D. Hamel and Lee I. Park, of Washington, D. C., and Benjamin Robin, of Chicago, Illinois, under a contract with H. N. Greis and E. H. Moore, as Receivers of the Present Company, by appointment of the District Court of the United States for the Northern District of Oklahoma, and H. N. Greis and Bernard L. Majewski as Ancillary Receivers of the Present Company, by appointment of the District Court of the United States for the Northern District of Illinois. Said contract provides for a fee of 5% of the saving (resulting from reducing the aggregate tax liability below $533,187.11), or 50% of the net refunds of taxes and interest in excess of the Byllesby guarantee, whichever is greater. Said contract also provides that it "shall inure to the benefit of and be binding upon Deep Rock Oil Corporation when and if it emerges from receivership and/or any successor, person, corporation, or association acquiring, pursuant to a reorganization of said Deep Rock Oil Corporation, the properties of the said corporation and the rights and obligations of said tax claims."

It will be noted that the Present Company's obligation with respect to the taxes of Smathers and Shaffer for the years 1921 and 1922 are obligations to individuals (in the case of

Smathers, to his estate) and not to the Federal Government, whereas any additional liability of the Present Company for its own income taxes for prior years, as referred to in paragraph 4(a) hereof, is to the Federal Government direct and therefore constitutes a prospective lien on the properties of the Present Company or a preferred claim. Hence, although any direct liability to the Federal Government will be assumed by the New Company as an outright obligation, any liability of the Present Company to Byllesby and/or to Smathers and Shaffer will, as provided in paragraph 8(c) hereof, be discharged by the issue of Income Debentures of the New Company.

(c) Other Contingent Liabilities. The Present Company is contingently liable in respect of a guarantee on profit participating certificates of Deep Rock Oil Company of Wisconsin, a subsidiary, outstanding in the hands of the public in an amount aggregating, as of February 28, 1933, $98,391.15 and it is also contingently liable in connection with pending litigation involving liabilities of approximately $47,000. These contingent liabilities will be assumed by the New Company.

The New Company.

5. Acquisition of Assets. A new corporation (herein referred to as the "New Company") will be organized with such corporate name (which may be the same as or similar to the corporate name of the Present Company) and under the laws of such State as may be determined by the present company and approved by the Oklahoma District Court. The business and assets of the Present Company will be transferred and conveyed to the New Company pursuant to the provisions of the Bankruptcy Act subject only to such changes as may result from the ordinary course of business and subject also to any existing liens, or encumbrances which might exist with respect to such assets. In so far as practicable, title to the assets and business so acquired will be vested in the New Company, but certain assets may be transferred to one or more subsidiary companies, whose entire capital stock (except directors' qualifying shares) will be owned by the New Company. The New Company will also acquire all the outstanding capital stock of the Refining Company, now owned by Standard. The transfer of the business and assets of the Present Company to the New Company, will conform to the provisions of the Bankruptcy Act, as recently amended, and

will be accomplished without any public, judicial or any other sale upon the direction and order of the Oklahoma District Court.

The New Company will assume and agree to pay in full all costs and expenses incident to the reorganization and all valid, legal and enforceable liabilities of the Present Company which have not been paid at the time of such acquisition, except that indebtedness to be satisfied under the Plan by the issuance of securities of the New Company. All indebtedness, liabilities and contracts incurred by the Receivers and the Trustee not otherwise satisfied in accordance with appropriate court orders, as well as any liability which might exist to the Federal Government directly for income taxes for prior years (as explained in paragraph 4(a) hereof) will be included in the liabilities to be assumed by the New Company. Any liability of the Present Company to Byllesby and/or to Smathers and Shaffer by virtue of the matters relating to Federal income taxes referred to in paragraph 4(b) hereof, will be assumed by the New Company, but, as provided in paragraph 8(c) hereof, such liability, if any, will be discharged by the delivery of Income Debentures of the New Company.

6. Securities of New Company. The securities of the New Company (hereinafter collectively called "New securities") after giving effect to complete consummation of the plan herein outlined and subject to paragraphs 8(c) and 8(e) hereof and exclusive of indebtedness to be assumed, will be approximately as follows:

Description of New Securities.	Authorized.	Issued.
6% Cumulative Income Sinking Fund Debentures	$10,000,000*	$10,000,000*
$7 Cumulative Preferred Stock (without par value)	25,000 shares	25,000 shares
Common Stock (without par value)	520,000* shares	520,000* shares

*Subject to be increased to provide for obligations described in paragraphs 8(c) and 8(e).

7. Description of New Securities.

(a) 6% Cumulative Income Sinking Fund Debentures (herein referred to as the "Income Debentures") will be authorized for the aggregate principal amount of $10,000,000 (subject to be increased to meet the requirements of para-

graphs 8(c) and 8(e) hereof) and will be issued to the extent and upon the terms provided in the Plan. The Income Debentures will be dated not later than the date of issuance, will be due fifteen years after their date and will be issued under an Indenture to be made to The First National Bank of Chicago as Trustee unless said bank shall be unwilling or unable to act in which event the trustee shall be a bank or trust company having a capital and surplus of at least $10,000,000 designated by the Present Company and approved by the Oklahoma District Court. The Income Debentures will bear interest from their date at the rate of 6% per annum, payable semi-annually on March 15th and September 15th in each year, but, until maturity of the principal thereof, actual payment of such interest will be contingent on earnings and will be required to be paid only when, and to the extent that, "Available Net Income" of the New Company, determined as hereinafter provided, is sufficient for such payment. Interest on the Income Debentures shall, however, be absolutely due and payable on the respective interest payment dates to the extent that Available Net Income, as hereinafter defined, is sufficient for such payment. However, no interest need be paid if the amounts so paid would be less than one-half of 1% and all payments shall be in multiples of one-quarter of 1%;—any excess not applied to interest because of this requirement shall be set aside for future interest and added to the Available Net Income of the New Company as determined for the next succeeding Income Period.

Said interest shall be cumulative so that to the extent the interest payments on March 15th and September 15th of each year are not made or are made at a rate less than 6% per annum, the deficiency, subject to the conditions hereinafter set forth, shall be cumulative and accrue and be thereafter payable out of future Available Net Income of the New Company, and any such deficiency shall be paid in full prior to the declaration and payment of any dividends on any class of stock of the New Company. Accumulations of interest shall not bear interest. At the maturity of the principal of the Income Debentures (whether by their terms or otherwise), all arrears of cumulative interest shall be payable, whether earned or not.

In case the Available Net Income of the New Company as determined for any Income Period shall not be sufficient to provide for the payment of interest at the rate of 6% per annum on the next interest payment date the Board of Di-

rectors may in its discretion, but need not, declare to be payable as interest an amount larger than the amount of net income available and therefore required to be paid, and, to the extent that a larger amount shall have been so declared to be payable, such larger amount shall be absolutely due and payable.

Available Net Income shall be determined in the manner set forth in the following seven paragraphs:

First: Net income of the New Company shall be determined in accordance with accounting practice in the oil industry in so far as such practice is not inconsistent with the methods prescribed herein (on a consolidated basis after eliminating interdepartmental and inter-company transactions, except such profits as might remain in inventory and which are not eliminated in accordance with the provisions set forth in the annexed Schedule B with respect to valuation of inventory) for each period of six months ending June 30th (herein referred to as the "June Income Period") and for each period of twelve months ending December 31st (herein referred to as the "December Income Period"), after providing for all operating, selling, administrative and other expenses incurred or accrued during such Income Period, including (i) depreciation of plants and equipment, exclusive of production equipment; (ii) depletion of productive leaseholds and intangible costs and depreciation of physical equipment on production leases; (iii) amortization of non-productive leaseholds; (iv) the entire cost of "dry holes" drilled, when determined dry; (v) all oil and gas lease rentals; (vi) the expense of maintaining wells, equipment and all other physical property; (vii) accrual for bad debt losses; (viii) all local, state and Federal taxes, excluding Federal income taxes; (ix) abandonments and (x) interest on all interest bearing indebtedness except the Income Debentures and indebtedness, if any, subordinated thereto. There shall be added to or deducted from net income so determined all Prior Period Adjustments of Net Income (hereinafter defined) made during said Income Period and the balance remaining shall constitute the "Net Income for the Current Income Period."

Second: At the end of each Income Period (herein referred to as the "Current Income Period"), the Net Income of the New Company shall also be determined for the entire period (taken as a whole) beginning with the date of the Income De-

bentures and ending with the beginning of the Current Income Period. Such determination shall be made in the manner set forth in the preceding paragraph, but after deducting (i) all interest paid on the Income Debentures prior to the beginning of the Current Income Period and on the interest payment date immediately following the beginning of the Current Income Period, (ii) all interest paid prior to the Current Income Period upon indebtedness, if any, subordinated to the Income Debentures, (iii) all dividends (other than stock dividends) paid upon all classes of stock of the New Company prior to the Current Income Period, and (iv) all amounts paid prior to the Current Income Period into the Sinking Fund for the Income Debentures as a result of common stock dividends paid. If such computation results in a "loss," the amount of such loss shall be deducted from the Net Income for the Current Income Period. The term "loss" shall mean the amount by which the deductions from income (including as a deduction the interest paid on the Income Debentures, the interest paid on subordinated indebtedness, the dividends paid and the Sinking Fund payments made, as aforesaid) exceed the income for the period in question and said loss is hereinafter referred to as the "Prior Period Net Loss."

Third: The foregoing determination of Net Income for each June Income Period shall be made by the New Company itself and the balance, if any, remaining after deducting the Prior Period Net Loss from the Net Income for the Current Income Period shall constitute the "Available Net Income" for such June Income Period and shall be applied to the payment of current interest due on the succeeding September 15th.

Fourth: At the expiration of each December Income Period, the Board of Directors shall employ a nationally recognized firm of independent certified public accountants to determine, in the manner above set forth, the Net Income for the Current Income Period, being the twelve months' period ending on December 31st. From the Net Income for the Current Income Period so determined, there shall be deducted (i) that portion of the interest, if any, paid upon the Income Debentures on the preceding September 15th out of Available Net Income as determined by the New Company for the preceding June Income Period and (ii) the Prior Period Net Loss (as determined by said independent accountants in the manner set forth in the second preceding paragraph) for the entire period

(taken as a whole) beginning with the date of the Income Debentures and ending with the beginning of the Current Income Period. The balance, if any, remaining after making said deductions, if any, shall conclusively constitute the amount of Available Net Income for such December Income Period, and such amount shall be applied on the succeeding March 15th to the payment of any unpaid interest, including the interest due on that date.

Fifth: In determining Net Income for any period, depletion, depreciation, amortization and abandonments will be computed substantially as set forth in Schedule A annexed hereto upon the "depreciation base" therein specified and inventories will be valued in substantially the manner set forth in Schedule B annexed hereto.

Sixth: The New Company will maintain an account entitled "Prior Period Adjustments of Net Income." Said account shall contain charges or credits (of a character corresponding to those above set forth for the determination of Net Income) appearing in a period subsequent to the period to which they actually apply and made necessary in order to restate accurately the accounts for such earlier period. Such charges and credits shall appear in said account even though under customary and proper accounting practice they may or shall be charged or credited upon the Present Company's books to surplus; provided, however, that no such charges or credits shall be made to said account which are applicable to a period prior to the date upon which the New Company shall acquire the assets of the Present Company.

Seventh: In computing Net Income as above provided and in making Prior Period Adjustments of Net Income there shall not be included in the income or in such adjustments nor deducted therefrom (i) any profits or losses resulting from the purchase, sale or other disposition by the New Company, of its Income Debentures, irrespective of whether such Debentures were acquired for the sinking fund or for other reasons or (ii) any profits or losses resulting from the sale or other disposition of fixed assets excepting, however, profits or losses (using the "depreciation base" for determination) from such transactions which normally occur in the routine operation of the business of the New Company or (iii) any profits or losses resulting from the sale or other disposition by the New Company of advances to or investments in subsidiary com-

panies (to be defined) or (iv) any appreciation in value of fixed assets not realized by actual sale or any write-up of book value of fixed assets to equal estimated market value not realized by actual sale.

The Income Debentures will be redeemable at the option of the New Company, as will be more fully provided in the Indenture, in whole or in part at any time on 60 days published notice at their principal amount plus all unpaid interest accumulated and accrued to the date of redemption.

The Indenture will provide that in case the New Company shall pay any dividends (except stock dividends) upon its Common Stock an amount equal to 66⅔% of such dividends shall be paid to the Trustee under the Indenture as a Sinking Fund.

All cash held by the Trustee in the Sinking Fund shall be applied (in the manner to be provided in the Indenture) to the purchase of Income Debentures at public or private sale at not more than their redemption price, or if not so obtainable, to the redemption of Income Debentures by lot at their redemption price. In lieu of depositing cash with the Trustee as a Sinking Fund, the New Company may surrender Income Debentures for cancellation and receive a Sinking Fund credit in an amount equal to the purchase price paid by the New Company for the acquisition of the Income Debentures so surrendered. It shall be provided, however, that Sinking Fund credits shall not be allowed in an amount greater than the principal amount of the Income Debentures so surrendered.

The New Company will covenant in the Indenture that as long as any Income Debentures are outstanding it will not become indebted at any one time to affiliated companies (to be defined in the Indenture) in excess of $1,500,000 unless the payment of the principal of such indebtedness in excess of such amount shall be subordinated to the payment of the principal of the Income Debentures and the payment of interest on such indebtedness in excess of such amount shall be subordinated to the payment of interest on the Income Debentures.

The New Company will also covenant in the Indenture that as long as any of the Income Debentures are outstanding it will not mortgage or pledge any of its property to secure any

indebtedness unless the Income Debentures shall be secured by a lien upon all of the property and assets which are to be subjected to such mortgage or pledge, which lien in favor of the Income Debentures shall be prior to the lien to be afforded such other indebtedness; provided, however, that this covenant will not apply (i) to purchase money liens created in connection with the acquisition of additional property or existing upon such property, where the indebtedness secured by such liens does not exceed 66⅔% of the cost or fair value (whichever is lower) of the property so acquired, or (ii) to the refunding or renewal or extension of any indebtedness so created or existing in connection with the acquisition of such additional property, or (iii) to the pledge of current assets to secure any current indebtedness incurred by the New Company to others than affiliated companies in the ordinary course of its business and which matures not later than one year from the date that the same is incurred or to one or more renewals thereof provided each such renewal is made in the ordinary course of business and for not more than one year.

The New Company will also covenant in the Indenture that as long as any Income Debentures are outstanding it will not declare any dividends on any class of its capital stock except from earned surplus as defined in the next paragraph and that it will not declare any stock dividends upon its Common Stock unless such dividends are payable in Common Stock.

Earned surplus for the purpose of the preceding paragraph shall be considered to represent the net income for the entire period (taken as a whole) beginning with the date of the Income Debentures and ending with the end of the calendar year immediately preceding the declaration of the dividend in question, determined as hereinbefore provided but after deducting (i) all Federal Income taxes paid and accrued, (ii) all interest paid, accumulated and unpaid, and accrued on the Income Debentures and all interest paid or accrued on indebtedness, if any, subordinated to the Income Debentures, (iii) all losses which may have resulted from the purchase or sale of Income Debentures, the sale of advances to or investments in subsidiary companies and the sale of fixed assets and (iv) all dividends paid and/or declared prior to the declaration of the dividend in question and all amounts appropriated to the Sinking Fund for the Income Debentures as a result of common stock dividends paid prior to the dec-

laration of the dividend in question and the amount, if any, to be appropriated to such Sinking Fund upon payment of such dividend. Although the losses which may result from (a) the purchase or sale of Income Debentures, (b) the sale of advances to or investments in subsidiary companies and (c) the sale of fixed assets are, as above provided, to be deducted from net income in determining the amount of "earned surplus" it is not intended that any profits resulting from such purchases and sales shall be added to the net income in determining the amount of "earned surplus". However, it is understood that there will be included in net income of the New Company any profits resulting from the sale or other disposition of fixed assets in transactions which normally occur in the routine operation of the business of the New Company and nothing contained in this paragraph is intended to alter the definition of net income in that or any other respect.

The Indenture shall also contain further provisions and restrictions, designed to protect the Income Debentures, to be consistent with the Plan and approved by the Oklahoma District Court, including provisions as follows: (i) a provision prohibiting the payment of so-called supervision or management fees to affiliated companies; (ii) a provision requiring that an amount equal to the cash proceeds received by the New Company or any subsidiary from each sale of a fixed asset (other than fixed assets disposed of in transactions which normally occur in the routine operation of the business) and that the cash proceeds received by the New Company from the sale of advances to or investments in subsidiary companies (to be defined) be added to the Sinking Fund except to the extent that such cash proceeds are used within eighteen months after their receipt by the New Company or a subsidiary for construction or for the acquisition of additional fixed assets or to reimburse the New Company or a subsidiary for moneys theretofore expended by it for construction or for the acquisition of additional fixed assets, or, if such proceeds are derived from the sale of a fixed asset of a subsidiary, they may be used to retire or pay the principal of any indebtedness of such subsidiary; provided, however, that this provision shall not apply to any sale where the cash proceeds received by the New Company or a subsidiary are less than $100,000, and provided further that in no event shall the New Company be required to add to the Sinking

Fund amounts in excess of the principal amount of Income Debentures then outstanding; (iii) a provision preventing the New Company from consolidating with or merging into any other corporation or selling or transferring all or substantially all of its assets to any other person, firm or corporation, unless prior thereto all of the Income Debentures then outstanding shall be directly secured by a closed mortgage upon the fixed assets of the New Company so to be owned by such consolidated or merged company or so to be transferred or conveyed; (iv) a provision designed to prevent the New Company from paying any salary or compensation to any officer, director, or employee of any affiliated company, except only in proper amounts for services actually rendered; (v) a provision designed to prevent the New Company, by lease or otherwise, from acquiring property from or disposing of property to, an affiliated company, except upon the terms and conditions deemed to be fair by the respective Boards of Directors, after an appraisal of the property in question has been made by an independent engineer, or other expert, selected or approved by the Trustee under the indenture; provided, however, that this provision shall not apply to purchases or sales of property involving less than $25,000 or to leases involving an annual rental of less than $12,000; and (vi) provisions fixing an accounting system for computing depreciation, depletion and other charges and establishing a "depreciation base" as set forth in Schedules A and B annexed hereto.

A definition of the term "fixed assets" appears in Schedule A annexed hereto.

If the Plan should be consummated about September 15, 1934, the Income Debentures would be dated as of that date, they would mature September 15, 1949, the first interest payment date would be March 15, 1935 and the first Income Period would begin on September 15, 1934 and end on December 31, 1934. Since it is impossible to forecast with accuracy when the Plan will be consummated, the date of the Income Debentures, the first interest payment date and the length of the first income period will be fixed by the Present Company with the approval of the Oklahoma District Court. The Present Company with the approval of the Oklahoma District Court may also make such other adjustments in dates or other mat-

ters as may be necessary or advisable to carry out the spirit and intent of the Plan.

(b) $7 Cumulative Preferred Stock (hereinafter called the "New Preferred Stock") will be authorized for the amount of 25,000 shares without par value and will be issued upon the terms herein provided.

The New Preferred Stock will be preferred over the Common Stock of the New Company both as to assets and dividends and the holders thereof will be entitled to receive on voluntary or involuntary liquidation $100 per share plus accumulated and unpaid dividends before any distribution may be made to the holders of the Common Stock. The New Preferred Stock will be redeemable at the option of the New Company as a whole or in part on any dividend date at $100 per share plus accumulated and unpaid dividends; provided, however, that no such redemption may be effected nor may any of such shares be purchased by the New Company as long as any of the Income Debentures of the New Company remain outstanding. The holders of the New Preferred Stock shall be entitled to receive preferential dividends at the rate of $7 per share per annum, payable semi-annually, on March 15th and September 15th in each year, when and as declared by the Board of Directors out of funds of the New Company legally available for such dividends. Such dividends shall be cumulative from and after one year from the date of the Income Debentures. No dividends may be declared on the New Preferred Stock while any back accumulated interest on the Income Debentures remains unpaid nor, as long as any Income Debentures are outstanding, from any funds except earned surplus as defined in paragraph 7(a) hereof. The holders of the New Preferred Stock shall be entitled to one vote for each share.

(c) Common Stock (hereinafter called "New Common Stock") will be authorized for the amount of 520,000 shares without par value (subject to be increased to meet the requirements of Paragraph 8 (e) hereof) and will be issued to the extent and upon the terms provided in the Plan. No shares of New Common Stock may be purchased by the New Company as long as any Income Debentures are outstanding nor may any dividends on the New Common Stock be paid while any back accumulated interest on the Income Debentures or any back accumulated dividends on the new Preferred

Stock remain unpaid, nor, as long as any Income Debentures are outstanding, from any funds except earned surplus as defined in paragraph 7(a) hereof. The holders of New Common Stock will be entitled to one vote for each share.

(d) Miscellaneous. No fractional shares of stock of the New Company of any class and no Income Debentures for less than $500 principal amount will be issued. In lieu thereof, a cash adjustment may be made in respect of such fraction or scrip (which does not bear interest or dividends) may be issued in respect thereof, all on a basis to be fixed by the Present Company with the approval of the Oklahoma District Court.

The Certificate of Incorporation of the New Company will provide that the stockholders shall not be entitled, as a matter of right, to subscribe to additional issues of stock or of securities convertible into stock of the New Company.

Distribution of New Securities.

8. Holders of Convertible Gold Notes and the $7 Cumulative Convertible Preferred Stock of the Present Company and other creditors of the Present Company whose claims are not assumed by the New Company, will be entitled, upon consummation of the Plan and upon the surrender of their present securities or claims, to receive New Securities upon the following basis:

(a) Holders of Convertible Gold Notes of the Present Company will be entitled to receive, for each $500 principal amount of Convertible Gold Notes:

$500 principal amount of Income Debentures, and
4 shares of New Common Stock.

(b) Standard, in full satisfaction of all indebtedness owing to it by the Present Company and by the Refining Company and in consideration of its transfer to the New Company of all the capital stock of the Refining Company, will be entitled to receive:

390,000 shares of New Common Stock, and
25,000 shares of New Preferred Stock;

(c) Byllesby, Smathers and Shaffer: In case the Present Company shall become liable to Byllesby and/or Smathers and Shaffer by virtue of the matters and agreements referred to in paragraph 4(b) hereof, Byllesby, Smathers and/or

Shaffer, as the case may be, shall be entitled to receive from the New Company for each $500 of such liability:

$500 principal amount of Income Debentures.

(d) Holders of $7 Cumulative Convertible Preferred Stock of the Present Company are afforded participation under the Plan and they will be entitled to receive one share of New Common Stock for each share of $7 Cumulative Convertible Preferred Stock held. Standard in so far as it is a holder of the $7 Cumulative Convertible Preferred Stock of the Present Company shall also be entitled to participate in the Plan as a holder of such stock.

(e) Other general creditors of the Present Company whose claims are not assumed by the New Company or otherwise adjusted will be entitled to receive for each $500 of indebtedness duly established:

$500 principal amount of Income Debentures, and
4 shares of New Common Stock.

(f) Holders of the Common Stock of the Present Company, as such, are not afforded any participation under the Plan.

Confirmation of Plan.

9. This Plan of Reorganization is being proposed by the Present Company pursuant to Section 77B of the Federal Bankruptcy Act, as amended. The Plan will become effective as soon as practicable after it has been accepted in writing by or on behalf of creditors holding two-thirds in amount of the claims of each class whose claims have been allowed and are affected by the Plan and by or on behalf of stockholders holding a majority of the stock of each class and after it has been confirmed by the Oklahoma District Court. The Act of Congress, above referred to, provides that upon confirmation of the Plan by the court the provisions of the Plan and of the order of confirmation shall be binding upon the Present Company, all of its stockholders (including those who have not assented to it) and all creditors secured or unsecured (including those who have not accepted it).

Modification of the Plan.

10. In case the Plan shall be modified and such modifications, in the opinion of the Oklahoma District Court, would

be materially adverse to the security holders of any class, notice of such modification shall be given (in such manner as the court may direct) to the security holders of such class or classes so adversely affected who previously shall have accepted the Plan and they may thereupon withdraw their acceptance during such period as may be fixed by the Oklahoma District Court and if any creditor or stockholder having such right of withdrawal shall not withdraw during such period he shall be deemed to have accepted the Plan as changed or modified.

In view of the fact that the Standard claim has not been determined by the court upon the promulgation of the Plan, it is desired that each holder of Convertible Gold Notes assenting to and accepting the Plan before such determination shall be given an opportunity to consider the fairness of the Plan in the light of the actual determination. Upon determination by the court of the claim of Standard, such notice as the court shall specify shall be given to such holders of Convertible Gold Notes as shall have theretofore assented to and accepted the Plan, and such holders shall have the opportunity to reconsider the plan and to withdraw their assents and acceptances *without expense*. In case however they do not withdraw their assents and acceptances within a period to be specified by the court then such holders shall be deemed to have assented to and accepted the Plan in the light of the actual determination of the Standard claim.

11. Consistently with the express provisions of the Plan, the Certificate of Incorporation and by-laws of the New Company, the New Indenture providing for the issue of the Income Debentures, the Income Debentures themselves, the shares of New Preferred and New Common Stock and the Stock Certificates, and all other agreements and other instruments that may be necessary or appropriate for the purposes of the Plan, shall be in such form and contain such other and further provisions as may be approved by the Oklahoma District Court.

All references in the Plan to Convertible Gold Notes shall, in so far as extended Convertible Gold Notes are concerned, be deemed to include the coupons appertaining thereto, unless the context otherwise indicates.

Dated: August 6, 1934.

Schedule A.

Method of Treating and Computing Amortization of Nonproductive Leaseholds, Lease Rentals, Dry Holes Drilled, Depletion, Depreciation and Abandonment.

The Indenture under which the Income Debentures will be issued will provide that amortization of nonproductive leaseholds, lease rentals, dry holes drilled, depletion, depreciation and abandonments will be treated and/or computed substantially as follows in determining the amount of "available net income":

1. Amortization of nonproductive leaseholds:

An account entitled "Nonproductive Leasehold Investment Account" will be set up, the charges against which account will include all lease costs, renewal costs, commissions, geophysical and core drilling expense and title defense charges. The costs and expenses charged to this account will be amortized over the terms of the leases.

2. Depletion of productive leaseholds and intangible costs and depreciation of physical equipment on productive leases:

When a leasehold becomes productive, the amount carried in the Nonproductive Leasehold Investment Account, less the amount theretofore amortized, will be transferred to the Producing Investment Account.

The depletion and depreciation charge to Income Account will be credited to a reserve for depletion and a reserve for depreciation and the amount of this depletion and depreciation will be determined by the application of the following formula:

Unit rate

$$\frac{(a + b) - c}{(d + e \pm f) - g} = r$$

r. Rate of depletion and/or depreciation per barrel of oil produced and/or per 1000 cu. ft. of gas produced.

a. Cost of investment at basic date—the date of completion of the first producing well.

b. Subsequent costs, down to the close of the accounting period.

c. Amount of depletion and/or depreciation sustained to the beginning of the current fiscal year.

d. Estimated recoverable units at basic date.

e. Additions to d in respect of further productive wells completed.

f. Increase or decrease of estimated recoverable units at basic date, based upon facts ascertained subsequent to basic date.

g. Units produced from basic date to the beginning of the current fiscal year.

Amount

$$p \text{ times } r = x$$

p. Units produced during current period.

r. Unit rate, as above.

x. Amount of depletion and/or depreciation for the current period.

3. Lease Rentals:

All lease rentals with respect to productive and nonproductive leaseholds will be charged to the Income Account when paid.

4. Dry Holes Drilled:

The cost of dry holes drilled, less salvage, will be charged to Income Account when determined dry. This will apply to dry holes drilled on both productive and nonproductive leaseholds.

5. Depreciation of other equipment:

The equipment referred to under this heading would cover all equipment subject to wear, tear and obsolescence not classified as being applicable to the production of oil and gas.

Depreciation will be calculated on what is known as the straight line basis, and the computation will be made in accordance with recognized accounting procedure, but in no event at rates greater, basically, than those published in January, 1931 by the Bureau of Internal Revenue in a booklet entitled "Depreciation Studies, Preliminary Report of the Bureau of Internal Revenue".

6. Abandonments:

Abandonment charges will be computed upon the "depreciation base" referred to in the next paragraph after deducting all accrued depreciation, depletion and amortization theretofore taken with respect to the abandoned property.

7. For the purpose of calculating depreciation and depletion, amortization of non-productive leaseholds, and property abandonments in connection with the determination of "available net income" for the purposes of the Income Debenture Indenture, the New Company shall keep a separate property account, in which shall be set up and properly allocated the amount of its fixed assets and those of its subsidiaries, the aggregate of which amount immediately following the consummation of the Plan shall not exceed the aggregate of (a) the principal amount of the Income Debentures to be issued under the Plan, (b) the principal amount of indebtedness of the Present Company to be assumed by the New Company, (c) the principal amount of indebtedness of subsidiary companies outstanding and not held by the New Company or another subsidiary, (d) the aggregate amount to which the new Preferred Stock to be issued under the Plan shall become entitled upon liquidation in preference to the new Common Stock and (e) an amount equal to $1 per share for the new Common Stock to be issued under the Plan. In said account the amount of all additional fixed property thereafter acquired shall be recorded at the actual cost thereof. The amounts carried in said property account are referred to herein as the "depreciation base" and shall be used as a basis for determining all amortization, depreciation, depletion, and abandonment charges for the purpose of calculating "available net income."

8. Wherever used in the Plan and in this Schedule, the term "fixed assets" shall include all assets customarily included within the scope of the term as well as (a) investments in non-productive leaseholds, (b) investment in productive leaseholds, including intangible costs and physical equipment on productive leaseholds, and (c) all equipment subject to wear, tear and obsolescence but not classified as being applicable to production of oil and/or gas, but the term "fixed assets" shall not include advances to or investments in other companies.

Note: In no case shall charges be made to the reserves for depletion or depreciation in an amount in excess of the depletion or depreciation theretofore credited in respect to each item of property.

Schedule B.

Inventory Valuation.

The Indenture under which the Income Debentures will be issued will provide that for the purpose of determining "Available net income" physical inventories of crude oil, refined products and other merchandise held for sale by the New Company shall be taken semi-annually and that inventories of oil and gas field materials and supplies and all other operating materials and supplies shall be taken annually. Inventories shall be valued in accordance with the principles hereinafter set forth:

1. Crude Oil:

Crude oil in lease tanks at wells, shall be valued at the prevailing posted market price for the district where located; crude oil in pipe lines, at the prevailing posted market price in the district from which oil is being taken in to the lines; crude oil in storage tanks at the posted market price at time produced or purchased, plus transportation costs, provided it shall not exceed the prevailing posted market price plus transportation costs at inventory date. All prices are to be applied according to the grade of oil on hand determined at the time of inventory taking.

2. Refined Products:

Refined products at refinery plants are to be valued at cost in accordance with recognized methods of cost finding employed in the oil industry, but in no event at more than the reproduction cost, based on the then prevailing posted market price of crude oil or the then prevailing market price of such refined products, if available, whichever is lower. Refined products at distributing points, if such were purchased from others, shall be priced at delivered cost or delivered market, whichever is lower; refined products at distributing points, produced at Company's refinery, to be priced at the Group 3 refinery market prices at time of shipment, plus transportation to point of location, plus inspection fees and taxes and other costs, but in no event higher than the then prevailing Group 3 refinery market price, plus transportation, inspection fees,

taxes, and other costs, provided, however, that a reserve be created to eliminate inter-departmental profit previously taken by the refinery plants in respect to such inventory.

3. Other Merchandise Held for Sale:

Other merchandise held for sale shall be valued at cost or market whichever is lower.

4. Oil and Gas Field Materials and Supplies and All Other Operating Materials and Supplies:

These materials and supplies shall be valued at cost if unused and if used, at a value determined in accordance with the customary practice in the industry.

Reorganization Committee's Exhibit No. 2.

The original Deposit Agreement dated August 9, 1934, which is a part of Reorganization Committee's Exhibit No. 2, is substantially the same as the deposit agreement dated August 9, 1934 as amended under date of November 10, 1936, which appears in this record as a part of Reorganization Committee's Exhibit No. 1, except for changes in dates and references in the amended Deposit Agreement to the amended plan of reorganization instead of to the original plan of reorganization and other slight changes, made pursuant to the authority of the court by Order No. 137 entered November 9, 1936.

Reorganization Committee's Exhibit No. 3.

(This Exhibit is a letter by the Reorganization Committee to the creditors and security holders of Deep Rock Oil Corporation, dated November 30, 1936, and is included in this Record as Interveners's Exhibit No. 6.)

Reorganization Committee's Exhibit No. 4.

State of Illinois, County of Cook, ss.

August J. Hurt, being by me first duly sworn on oath deposes and says that he is an adult and resides at 2700 South Clarence Avenue, Berwyn, Illinois; that he is now and has been for many years past employed by The First National Bank of Chicago or its predecessor, First Union Trust and Savings Bank, formerly known as First Trust and Savings Bank, in the Corporate Trust Division of the Trust Department; that he

is familiar with the records of said Bank having to do with the deposit under a Deposit Agreement dated August 9, 1934, between John J. Shinners, Newton P. Frye, and others, of Convertible Gold Notes dated March 1, 1928, and $7 Cumulative Convertible Preferred Stock of Deep Rock Oil Corporation, formerly Shaffer Oil and Refining Company; that he is the duly authorized agent of said bank for the purposes of this affidavit; that there were on deposit with said bank at the close of business December 5, 1936, accompanied by signed letters in the form of one attached to this affidavit and identified by the signature of affiant, the following:

Name of Security	Amount of Deposit.
Convertible Gold Notes dated March 1, 1928	$3,930,500
$7 Cumulative Convertible Preferred Stock	19,515 shares

that prior to the close of business December 5, 1936, there had been withdrawn from deposit, pursuant to the permission granted by the United States District Court for the Northern District of Oklahoma, in its order entered November 9, 1936, in the matter of Deep Rock Oil Corporation, a corporation, debtor, in Bankruptcy No. 2318 Consolidated, notes and stock of said Deep Rock Oil Corporation theretofore on deposit as follows:

Name of Security.	Amount on Deposit.
Convertible Gold Notes dated March 1, 1928	$142,000
$7 Cumulative Convertible Preferred Stock	1,586 shares

that prior to the close of business on December 5, 1936, there were withdrawn from deposit pursuant to said Order, 1,000 shares Cumulative Convertible Preferred Stock, which shares were thereafter re-deposited and are included in the total above mentioned of 19,515 shares on deposit at the close of business December 5, 1936.

Further affiant sayeth not.

AUGUST J. HURT.

Subscribed and sworn to before me, a Notary Public in and for the County of Cook and State of Illinois, this 7 day of December, 1936. G. Grundell, Notary Public. My commission expires *My commission expires* Sept. 27, 1939.

LETTER OF TRANSMITTAL

To accompany securities presented for deposit under Deposit Agreement, dated August 9, 1934, relative to the reorganization of

DEEP ROCK OIL CORPORATION

(formerly named Shafer Oil and Refining Company)

☐ The First National Bank of Chicago, Depositary,
38 South Dearborn Street, Chicago, Illinois.

or

☐ The Chase National Bank of the City of New York, Sub-Depositary,
Trust Department, Corporate Agency Division,
11 Broad Street, New York, New York.

Date_____

(Leave Blank)

Ticket No._____

Gentlemen:

The undersigned herewith delivers to you the securities of Deep Rock Oil Corporation listed below, for deposit under the Deposit Agreement, dated August 9, 1934, which has been executed by John J. Shinners, Newton P. Frye, Robert F. Holden, John H. Mason, Grayson M.-P. Murphy and Albert J. Robertson, as a Reorganization Committee, to the terms of which agreement the undersigned hereby assents and agrees.

As more fully provided in said Deposit Agreement, the undersigned expressly assents to and accepts a certain Plan of Reorganization, dated August 6, 1934, which was proposed by Deep Rock Oil Corporation on August 20, 1934, in the United States District Court for the Northern District of Oklahoma pursuant to the provisions of Section 77B of the Bankruptcy Act of the United States, as amended.

DESCRIPTION OF SECURITIES DEPOSITED

$_____ principal amount of 6% Convertible Gold Notes, dated March 1, 1928, originally due March 1, 1933 but extended to March 1, 1937 at 7%, with September 1, 1933 and subsequent coupons to maturity attached.

Serial Numbers of Notes_____

$_____ principal amount of unextended 6% Convertible Gold Notes, dated March 1, 1928, due March 1, 1933, without coupons attached.

Serial Numbers of Notes:_____

_____ Shares of $7 Cumulative Convertible Preferred Stock represented by

Certificates Numbered_____

Registered in the name of_____

Please issue a Certificate or Certificates of Deposit as follows:

Name_____
(Please type or print, giving first name in full, not initials)

Address_____

and deliver the Certificate or Certificates of Deposit

☐ by registered mail.

☐ against counter receipt.

IMPORTANT: Fill in below ONLY if delivery of Certificate of Deposit is to be made to other than the name and address indicated above.

Deliver to { Name_____ *(Please type or print)*
Address_____

Very truly yours,

SIGN HERE ➤_____

This deposit is made at the suggestion of_____
(Name of Security Dealer)

DO NOT FILL IN BELOW

Date Received	Numbers of Certificates of Deposit Issued			Examined by
	For Extended Notes	For Unextended Notes	For Preferred Stock	
				Checked by

Trust Department, Corporate Agency Division,
11 Broad Street, New York, New York.

Ticket No._____

Gentlemen:

The undersigned herewith delivers to you the securities of Deep Rock Oil Corporation listed below, for deposit under the Deposit Agreement, dated August 9, 1934, which has been executed by John J. Shinners, Newton P. Frye, Robert F. Holden, John H. Mason, Grayson M.-P. Murphy and Albert J. Robertson, as a Reorganization Committee, to the terms of which agreement the undersigned hereby assents and agrees.

As more fully provided in said Deposit Agreement, the undersigned expressly assents to and accepts a certain Plan of Reorganization, dated August 6, 1934, which was proposed by Deep Rock Oil Corporation on August 20, 1934, in the United States District Court for the Northern District of Oklahoma pursuant to the provisions of Section 77B of the Bankruptcy Act of the United States, as amended.

DESCRIPTION OF SECURITIES DEPOSITED

$_____ principal amount of 6% Convertible Gold Notes, dated March 1, 1928, originally due March 1, 1933 but extended to March 1, 1937 at 7%, with September 1, 1933 and subsequent coupons to maturity attached.

Serial Numbers of Notes _____

$_____ principal amount of unextended 6% Convertible Gold Notes, dated March 1, 1928, due March 1, 1933, without coupons attached.

Serial Numbers of Notes: _____

_____ Shares of $7 Cumulative Convertible Preferred Stock represented by

Certificates Numbered _____

Registered in the name of _____

Please issue a Certificate or Certificates of Deposit as follows:

Name _____
(Please type or print, giving first name in full, not initials)

Address _____

and deliver the Certificate or Certificates of Deposit

☐ by registered mail.
☐ against counter receipt.

IMPORTANT: Fill in below ONLY if delivery of Certificate of Deposit is to be made to other than the name and address indicated above.

Deliver to { Name _____ *(Please type or print)*
Address _____

Very truly yours,

SIGN HERE ➔ _____

This deposit is made at the suggestion of _____
(Name of Security Dealer)

DO NOT FILL IN BELOW

Date Received _____	Numbers of Certificates of Deposit Issued			Examined by _____
	For Extended Notes	For Unextended Notes	For Preferred Stock	
Accepted by _____				Checked by _____
Checked by _____				Date Delivered _____

(Please read carefully the instructions on the reverse side)

(There is attached to Reorganization Committee's Exhibit #4, a copy of a second letter of transmittal which is identical with the letter of transmittal to accompany securities presented for deposit under Deposit Agreement dated August 9, 1934 (a copy of which is attached hereto), except that this second letter of transmittal states that it is to accompany securities presented for deposit under Deposit Agreement dated August 9, 1934, and as amended under date of November 10, 1936. This second letter of transmittal further states that the person signing accepts the Plan of Reorganization as Amended, pursuant to the Order entered November 9, 1936, whereas the letter of transmittal, a copy of which is attached hereto, refers to the original Plan of Reorganization.)

Reorganization Committee's Exhibit #5.

State of Illinois, County of Cook, ss.

August J. Hurt, being by me first duly sworn on oath deposes and says that he is an adult and resides at 2700 South Clarence Avenue, Berwyn, Illinois; that he is now and has been for many years past employed by The First National Bank of Chicago or its predecessor, First Union Trust and Savings Bank, formerly known as First Trust and Savings Bank, in the Corporate Trust Division of the Trust Department; that he is familiar with the records of said Bank having to do with the deposit under a Deposit Agreement dated August 9, 1934, between John J. Shinners, Newton P. Frye, and others, of Convertible Gold Notes dated March 1, 1928, and $7 Cumulative Convertible Preferred Stock of Deep Rock Oil Corporation, formerly Shaffer Oil and Refining Company; that he is the duly authorized agent of said Bank for the purposes of this affidavit; that there were on deposit with said bank at the close of business November 8, 1936, $4,004,500 principal amount of said Convertible Gold Notes and 20,798 shares of said Cumulative Preferred Stock; that from November 9, 1936, to December 5, 1936, both dates inclusive, there were withdrawn from deposit $142,000 principal amount of said Convertible Gold Notes and 2,586 shares of said Cumulative Preferred Stock; that from November 9, 1936, to December 10, 1936, both dates inclusive, there were deposited $77,500 principal amount of said Convertible Gold Notes and 1,323 shares of said Cumulative Preferred Stock,

of which 1,000 were shares included in the 2,586 shares hereinabove referred to as having been withdrawn between November 9, and December 5; that at the close of business on December 10, 1936, there were on deposit with said Bank, $3,940,000 principal amount of said Convertible Gold Notes and 19,535 shares of said Cumulative Preferred Stock.

Further affiant sayeth not.

(Seal) AUGUST J. HURT.

Subscribed and sworn to before me, a Notary Public in and for the County of Cook and State of Illinois, this 11th day of December, 1936. G. Grundell, Notary Public. My commission expires *My commission expires* Sept. 27, 1939.

Reorganization Committee's Exhibit #6.

State of New York, County of New York, ss.

O. D. Settle, being duly sworn, deposes and says:

1. He is an Assistant Trust Officer of The Chase National Bank of the City of New York, which is a sub-depositary acting under a certain Deposit Agreement executed by the Reorganization Committee under date of August 9, 1934, as amended November 10, 1936, in connection with the acceptance of the Amended Plan of Reorganization for Deep Rock Oil Corporation filed in the United States District Court for the Northern District of Oklahoma pursuant to an order of said court dated November 9, 1936, and has had general supervision over the activities of The Chase National Bank of the City of New York as such sub-depositary. Affiant has personal knowledge of the facts herein stated and is duly authorized by The Chase National Bank of the City of New York as sub-depositary to make this affidavit on its behalf.

2. The aggregate amounts of 6% Convertible Gold Notes due March 1, 1933 (unextended), 7% Convertible Gold Notes due March 1, 1937 (extended) and $7 Cumulative Convertible Preferred Stock of Deep Rock Oil Corporation (formerly named Shaffer Oil and Refining Company) on deposit with said sub-depositary at the close of business on November 9, 1936, were as follows:

6% Convertible Gold Notes due March 1, 1933 (unextended) $968,000 principal amount.

7% Convertible Gold Notes due March 1, 1937 (extended), $3,302,000 principal amount.

$7 Cumulative Convertible Preferred Stock, 11,927 shares.

3. The aggregate amounts of said Notes and Preferred Stock on deposit with said sub-depositary at the close of business on November 9, 1936, and which were subsequently withdrawn in accordance with the provisions of said order of November 9, 1936, are as follows:

6% Convertible Gold Notes due March 1, 1933 (unextended), $107,500 principal amount.

7% Convertible Gold Notes due March 1, 1937 (extended), $337,000 principal amount.

$7 Cumulative Convertible Preferred Stock, 2,100 shares.

4. The aggregate amounts of said Notes and Preferred Stock which were deposited with said sub-depositary between the close of business on November 9, 1936, and the close of business on December 5, 1936, were as follows:

6% Convertible Gold Notes due March 1, 1933 (unextended), $5,000 principal amount.

7% Convertible Gold Notes due March 1, 1937 (extended), $11,500 principal amount.

$7 Cumulative Convertible Preferred Stock, 85 shares.

5. The aggregate amounts of said Notes and Preferred stock on deposit with said sub-depositary at the close of business on December 5, 1936, were as follows:

6% Convertible Gold Notes due March 1, 1933 (unextended), $865,500 principal amount.

7% Convertible Gold Notes due March 1, 1937 (extended), $2,976,500 principal amount.

$7 Cumulative Convertible Preferred Stock, 9,912 shares.

O. D. SETTLE.

Subscribed and sworn to before me this 8th day of December, 1936. (Seal) C. E. Van Name, Notary Public, Richmond County. Certificates filed in New York County Clerk's No. 15. Register's No. 7-V-8. Queen's County Clerk's No. 1172. Register's No. 4768. Commission expires March 30, 1937.

(Executed in quadruplicate.)

Reorganization Committee's Exhibit #7.

Deep Rock Oil Corporation—$7 Cumulative Convertible Preferred Stock (Represented by but not deposited with the Reorganization Committee): Raymond Pitcairn, 100 shares; Harold F. Pitcairn, 360 shares; Mildred G. Pitcairn, 160 shares; Raymond Pitcairn and Edward C. Bostock, 60 shares; Nathan Pitcairn, 30 shares; Gabrielle P. Pendleton, 100 shares; Clarence M. Brown, 400 shares; Brown-Bell Company, 60 shares.

Reorganization Committee's Exhibit #8.

Telegram, December 14, 1936.

Clerk of the United States District Court:

Mr. Shinners, Chairman of the Reorganization Committee for Deep Rock Oil Corporation has Transmitted to Me the Court's Request for Information Concerning the Ownership Either Directly or Indirectly of Deep Rock Oil Corporation Six Per Cent Convertible Gold Notes Due March One Nineteen Thirty Three and Preferred Stock or Certificates of Deposit Therefor by H. M. Byllesby and Company and or Its Officers and Directors Stop In This Connection Advise That H. M. Byllesby and Company has Continuously Dealt in These Notes and Stock Since Their Original Issue for Its Own Account and for the Account of Its Customers and at the Present Time Owns and has Trading Commitments for One Hundred Twenty One Thousand Dollars Par Value Notes at an Average Cost Price of Eighty Five Dollars Eighty One Cents for Each Hundred Dollars Principal Amount Also Two Hundred Twenty One Shares Preferred Stock at Eleven Dollars Sixty Seven Cents Per Share Stop Following is Statement by Officers and Directors Whom I Have Been Able to Contact of Their Position R. J. Graf President and Director Notes None Preferred None J. H. Briggs Vice Pres and Director Notes None Preferred Ten Shares O. G. Corns Vice Pres and Director Notes None Preferred None Wm. G. Pohl Secretary Treasurer and Director Notes None Preferred Ten Shares The Company Has Six Directors Including Mr. Shinners.

WM. G. POHL, Secretary.

Reorganization Committee's Exhibit #9.

Telegram, December 14, 1936.

Clerk of the United States District Court:

We Are in Receipt of a Request from Mr. Shinners Chairman of the Reorganization Committee for Deep Rock Oil Corporation to Advise You of the Principal Amount of Deep Rock Oil Corporation Six Per Cent Convertible Notes Due March First Nineteen Thirty Three and Preferred Stock or Certificates of Deposit for said Notes and Stock Which May Be Owned by Standard Gas and Electric Company and by Its Officers and Directors Either Directly or Indirectly With Respect Thereto State That This Company Owns Nine Hundred Sixty Nine Shares Preferred Stock Acquired in Year Nineteen Twenty Seven at a Cost of Eighty Nine Dollars and Twenty Five Cents Per Share Notes Owned None Such Officers and Directors Whom We Were Able to Reach Here Report as Follows B. W. Lynch President and Director Notes None Preferred None M. A. Morrison Vice President Treasurer and Director Notes None Preferred None A. S. Cummins Vice President Secretary and Director Notes None Preferred None B. F. Braheney Director Notes None Preferred None H. C. Cummins Director Notes None Preferred None Charles Keller Director Notes None Preferred None A. C. Allyn Director Ten Thousand Dollars Principal Amount of Notes Acquired in Nineteen Thirty Four at Approximately Forty One Dollars Twenty Five Cents Per Note the Company Has Twelve Directors the Remainder of Whom Reside in the East.

STANDARD GAS AND ELECTRIC CO.,
M. A. MORRISON, Vice President.

Reorganization Committee's Exhibit #10.

Telegram.

Feb. 2, 1937.

James F. Oates.

At close of business today total Deep Rock deposits are three million two hundred seven thousand five hundred dollars extended notes nine hundred sixty four thousand five hundred dollars unextended notes and nine thousand nine hundred five shares preferred stock Stop In addition we hold a one thousand dollar unextended note and fourteen

shares preferred stock in pending a account for completion of requirements.

CHASE NATL. BANK.

Reorganization Committee's Exhibit #11.

Telegram.

Feb. 2, 1937.

James F. Oates, Jr.

Close of business February 2 we have on deposit 19,239 shares preferred stock and 4,054,500 convertible notes of Deep Rock Oil Corporation.

THE FIRST NATL. BANK.

Reorganization Committee's Exhibit No. 12

Reorganization Committee for Deep Rock Oil Corporation.

To the Holders of the 6% Convertible Gold Notes due March 1, 1933; 7% Convertible Gold Notes due March 1, 1937; and $7 Cumulative Convertible Preferred Stock; and Creditors of Deep Rock Oil Corporation (formerly Shaffer Oil & Refining Company);

We are pleased to report that under date of December 22, 1936, the United States District Court for the Northern District of Oklahoma entered its order approving the compromise of the claim of Standard Gas and Electric Company in accordance with the terms and conditions of the offer of compromise made by Standard under date of November 7, 1936. The court also entered its order on December 22, 1936, directing that further modifications and changes should be made in the amended plan of reorganization and conditionally confirming said amended plan as so modified, subject to the acceptance and approval of the further changes by those creditors and stockholders (including Standard) who have heretofore accepted the amended plan.

We inclose herewith, as Appendix I, a copy of the modifications approved and made by the court, as aforesaid, together with copy of the notice (Appendix II) which the court directed should be mailed to you.

You will note that the modifications, except in the particulars hereinafter stated, constitute clarifications of the ac-

counting provisions included for the purpose of determining available net income to be used in paying interest on the new income debentures; a reservation by the court of the power to change the period during which the court shall retain jurisdiction over the New Company; and permission to pay stock dividends which may become important in connection with the federal tax laws. The major provisions included in the amended plan fixing a depreciation base and the formulae for computing depreciation, depletion and amortization have not been altered.

The only modifications which seem to the undersigned committee to be of any substance are those designated as paragraphs numbered 5, 9, and 10 on the attached list of modifications (Appendix I), which change the sinking fund requirements and increase the cash disbursement to be made to the holders of convertible notes.

The amended plan provided (page 53) that until the principal amount of outstanding income debentures was reduced to $5,000,000 there should be paid into the sinking fund, on or before March 15th of each year, an amount equal to one-half of the annual available net income remaining after the payment of interest upon the income debentures and after provisions for federal income taxes. Since adequate provision has been made in the plan for the deduction of depletion, depreciation and amortization in the computation of available net income, we believe that no objection should be made to the modification which provides that all available net income (instead of one-half thereof) remaining after the payment of interest and provisions for federal income taxes should be used to retire the new income debentures until the outstanding amount thereof shall be reduced to $5,000,000. This change should result in a more rapid retirement of the new income debentures, which would seem to be beneficial to the present creditors and preferred stockholders.

The amended plan was originally formulated by the undersigned committee shortly after January 1, 1936. At that time the committee provided for the payment of $30 in cash to the holders of each $500 principal amount of convertible gold notes of the Debtor. The presentation and confirmation of the amended plan has been delayed for practically a year by circumstances beyond the control of the parties; and, since the delay has deprived the noteholders of interest which

otherwise would have accrued, we believe no objection should be made to payment of an additional amount of $30 for each $500 note to compensate the noteholders for such loss.

The undersigned committee, therefore, recommends that you accept and approve the amended plan of reorganization filed by the Debtor on November 9, 1936, as further modified in the particulars listed in Appendix I of this letter.

If there is any further information which you wish, please communicate with the secretary of the committee (Mr. R. Miles Warner, Room 1100, 231 South LaSalle Street, Chicago, Illinois), who will give your request prompt attention.

Dated December 23, 1936.

JOHN J. SHINNERS, Chairman,
NEWTON P. FRYE,
ROBERT F. HOLDEN,
JOHN H. MASON,
GRAYSON M.-P. MURPHY,
ALBERT J. ROBERTSON,
Reorganization Committee.

Appendix I.

(This Appendix consists of a copy of the Modifications of the Amended Plan of Reorganization filed by the Debtor November 9, 1936, made at the confirmation hearing, as set forth in Article X of the Interlocutory Order No. 142, entered December 22, 1936.)

Appendix II.

Notice to the Creditors and Stockholders of Deep Rock Oil Corporation Who Have Accepted the Amended Plan of Reorganization:

You Are Hereby Notified that the Amended Plan of Reorganization which you have already accepted, was modified with the approval of the court at the confirmation hearing on December 22, 1936. A copy of said modifications to the Amended Plan of Reorganization is sent you herewith.

Under the order of the court, you have a right to file with the Depositaries of the undersigned Committee, The First National Bank of Chicago, 38 South Dearborn Street, Chicago, Illinois, and The Chase National Bank of the City of New York, 11 Broad Street, New York, N. Y., on or before

January 11, 1937, a written request to withdraw, without expense, your acceptance of said Amended Plan of Reorganization. If you do not withdraw your acceptance within this period, you will be deemed to have accepted said Amended Plan of Reorganization as thus modified.

You are further notified that under the order of the court entered December 22, 1936, the Amended Plan of Reorganization, as thus modified, will be confirmed by the court and all parties authorized to consummate it, if after January 11, 1937, the principal amount of notes and the number of shares of Preferred Stock remaining on deposit with the above named Depositaries of the Committee is equal to or in excess of the amounts required by Section 77B of the Bankruptcy Act, as amended, and if the Amended Plan of Reorganization as thus modified is accepted by Standard Gas and Electric Company before February 8, 1937, pursuant to authority from the District Court of the United States for the District of Delaware. Objections to the Plan as modified may be filed with the Clerk of the United States District Court for the Northern District of Oklahoma, Tulsa, Oklahoma, on or before January 23, 1937. The proceeding has been continued without further notice to February 3rd, 1937.

This notice is mailed to you by the undersigned Committee pursuant to the order and direction of said court.

JOHN J. SHINNERS, Chairman,
NEWTON P. FRYE,
ROBERT F. HOLDEN,
JOHN H. MASON,
GRAYSON M.-P. MURPHY,
ALBERT J. ROBERTSON,
Reorganization Committee.

Dated December 22, 1936.

There is enclosed with Reorganization Committee's Exhibit #12, which consists of a communication by the Reorganization Committee to the creditors and security holders of Deep Rock Oil Corporation, a copy of a letter of transmittal to accompany securities presented for deposit under Deposit Agreement dated August 9, 1934, and as amended under date of November 10, 1936, which is identical with the letter of transmittal to accompany securities presented for deposit under Deposit Agreement dated August 9, 1934, a copy of

which is printed in full and attached to Reorganization Committee's Exhibit #4, except that this letter of transmittal (referred to in Reorganization Committee Exhibit #12) states that the person signing accepts the plan of reorganization as amended pursuant to the order entered November 9, 1936 and *as further modified by the order entered December 22, 1936,* whereas the letter of transmittal which is included in this Record as a part of Reorganization Committee's Exhibit #4, states that the person signing accepts the original plan of reorganization dated August 6, 1934, which was proposed by Deep Rock Oil Corporation on August 20, 1934.

Dated June 22, 1937.

As Counsel for the Appellees herein, the undersigned hereby waive notice of lodgment of the above Statement of the evidence in the office of the Clerk of the District Court for the Northern District of Oklahoma, and agree that said Statement of the evidence may be presented to the Judge or court for his action thereon, on any date hereafter, without further notice to the Appellees herein, or their counsel.

H. N. GREIS, Trustee, Deep Rock Oil Corporation,
By GEORGE S. RAMSEY,
VILLARD MARTIN, and
EDGAR A. deMEULES,
His Attorneys,
By GEO. S. RAMSEY.

STANDARD GAS AND ELECTRIC COMPANY,
By N. A. GIBSON,
R. M. CAMPBELL,
WILBUR J. HOLLEMAN,
Its Attorneys,
By N. A. GIBSON,

THE REORGANIZATION COMMITTEE FOR DEEP ROCK OIL CORPORATION,
By CAMPBELL AND BIDDISON,
and CUTTING, MOORE AND SIDLEY,
Its Attorneys,
By CHARLES F. MARTIN, JR.

DEEP ROCK OIL CORPORATION,
a corporation,
By WILLIAM F. SEMPLE,
Its Attorney,
By WILLIAM F. SEMPLE,
Appellees.

Order.

Settling Statement of Evidence to be Incorporated in Record on Appeal Pursuant to Equity Rule No. 75.

Now on this 22 day of June, 1937, this matter coming on for hearing upon the application of Appellants for approval of the statement of the evidence in this case, which was prepared by their solicitors for incorporation in the record on the appeal thereof, heretofore allowed, to the United States Circuit Court of Appeals for the Tenth Circuit from the decree of this court, and which was lodged on the 22 day of June, 1937, with the clerk of this court for the examination of counsel for Appellees, with due notice to them of such lodgment waived, and it appearing further that the said statement is true, correct, and properly prepared in accordance with Rule 75 of the Equity Rules,

It Is Therefore Ordered that said statement be settled and allowed as a true statement of the evidence introduced in said cause, and conforming in all respects with the requirements of Rule 75 of the Equity Rules.

F. E. KENNAMER, Judge.

Filed June 29, 1937. Albert Trego, Clerk.